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SLUMP!

A STUDY OF STRICKEN EUROPE TO-DAY

By

H. HESSELL TILTMAN

SECOND IMPRESSION

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FOREWORD

THE effects of the trade slump upon Britain, and the peoples of Britain, are known here only too well. This book is an attempt, based upon a recently completed journey through nine countries, to present a picture of the plight of at least some of our neighbours, their industries and peoples, at a moment when, after three years of unparalleled trade depression, Europe is facing the hardest winter of a century.

The picture is necessarily incomplete, being compiled from visits to representative industrial plants and cities in each country, and days spent with both workers and workless in their homes, in the unemployment queues, soup kitchens, and the factories upon which many depend for their daily bread. But the following pages contain enough evidence to show that in continental Europe, even more than in our own country, industry is in handcuffs, while the privation and impoverishment due to what President Hoover has called "the greatest economic emergency in all history" is even more widespread.

All the figures given refer to the months of July or August, 1932, except where otherwise stated, and due acknowledgment is made elsewhere to the governments, industrialists and trade union leaders for the facilities so readily placed at my disposal, and to the many workers whose guest I was during my journey.

As this book goes to press the hope strengthens that the bottom of the depression has been reached. The stock markets of the world are displaying more activity than for many months past. Commodity prices are climbing from the record low levels of a few months ago. Guarded optimism is in evidence concerning the prospects of the immediate future in some of those industries, like iron and steel, which have been especially depressed.

If these first stirrings of activity are the prelude to the passing of the disastrous slump, the resurrection of industrial Europe will bring new hope to millions of small homes all the world over—homes engulfed in a crisis which their humble occupants can neither understand nor fight against.

H. HESSELL TILTMAN

London,
October 1, 1932

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SLUMP!

A Study of Stricken Europe To-day

CHAPTER I

LOOKING FOR THE SLUMP

I WANTED to meet the trade slump face to face. I wanted to see it in terms of bread and butter—or bread and no butter. Not the slump that is viewed from the comfortable chairs of government offices or even from behind the cigar smoke of impoverished industrial magnates, but the slump of the by-ways where live the peoples of Europe who are the innocent victims of the greatest international trade crisis in history.

Europe is the biggest "story", in the newspaper sense, of 1932. Our machine-ridden civilisation has been confounded. Almost everything possible has gone wrong with its mechanism. From day to day the newspapers inform us—a little—of the gravity of the situation. This statesman says that; that statesman says this. Their news-pages record the feverish search for remedies behind the Conferences which follow one another like a procession of ambulances rushing to the aid of a stricken world economy.

And—still—the grimmest part of the story remained untold. The story of the crisis brought about by the halving of the entire trade of the whole world within two years. The story as it appeared to the Little Man, to the Mother, to the Man out of work (twenty millions of his sort !). The story that only the sufferers, some inarticulate, others impatient—all helpless—knew.

Could I speak for them? See them—and tell the world what I had seen? Interpret facts and figures in their grim reality?

The time which I had available could be measured not in months, but weeks. Could it be done?

Most of those consulted declared it to be impossible,

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even for an observer with a fairly comprehensive knowledge of industrial Europe. Yet I went and I saw. What I saw is told in this book.

For some time previously I had been watching the economic blizzard. I knew that during 1931 unemployment rose in Germany by 45 per cent compared with the 1930 figure; in Great Britain by 41 per cent; in Italy by 73 per cent; in Belgium by 267 per cent; in France by 428 per cent (72,286 against 13,690 registered unemployed !); and in Czechoslovakia by 176 per cent.

I knew, worse, that production all over the world was declining with catastrophic rapidity. According to a Report of the Economic Committee of the League of Nations, the contraction in world trade during the three years ending December, 1931, amounted to 41 per cent in imports and 43 per cent in exports. Between 1928 and 1931, in other words, the world's trade had declined to nearly half the normal figure.

The latest available figures on industrial production—issued by the German Institute of Economic Research—showed that in June, 1932, the world was manufacturing only 74 per cent of the 1928 production figure, and, further, that unsold stocks were piling up everywhere.

For months I had watched the dwindling flow of world trade as evidenced by such statistics. I had talked with bankers, economists, statesmen and foreign correspondents, who rolled off millions in every sentence—millions out of work, millions of pounds of trade lost to this or that country, millions needed to avert the bankruptcy of Austria and other central and eastern European countries. And millions of people wondering where it would all end. But when I asked these wise men what all those imposing figures meant to the average German housewife, the Swiss workman, or the Danish farmer, they could not tell me. I wanted to know what the workless of Germany had in their larders, how the hard-pressed middle class in that country were faring, whether the Belgian miners were surviving the crisis without

a fall in their standard of living, what sort of dole is paid to the workless watchmakers at Geneva, cruelly hit by United States and British tariffs, and what all these workers were thinking about the difficulties common to all countries.

To get answers to those and hundreds of similar questions in the time available was not going to be easy. The first necessity, as I knew from previous experience, was some careful "staff work" before setting out. Fortunately, I had friends among prominent industrialists, officials and trade unionists in all the countries I was likely to visit. And again, fortunately, I had known most of the countries in normal times, and had seen something of their industrial activities and the daily lives of their peoples in days before they were engulfed in the great "slow down" of world trade.

Even those who knew these things, however, declared emphatically when they saw my proposed route that it could not be done. The route was planned to carry me across Holland, Germany, Denmark, Czechoslovakia, Austria, Switzerland, France and Belgium. It involved about 5000 miles of railway or air travel, some 2000 miles by motor-car, spending time at a dozen representative large-scale industrial plants in the various countries, and everywhere talking, eating, shopping and living with both workers and workless in their own districts—if possible in their own homes.

Finding that general warnings were of no avail, they proceeded to advance a number of perfectly good arguments for drastically curtailing my itinerary. Even diplomatic officials of some of the countries concerned, and officials of the League of Nations and International Labour Office—men accustomed to travelling across the world and who could not be accused of an excess of humour—impressed upon me that I was proposing to attempt the impossible.

When once it was realised that I intended to make the journey, those same officials and friends all gave me their most willing help. To them, and to the many with whom I came into contact abroad, my thanks are due. Not

least to all the working men who permitted me so freely to enter their homes. Those husbands and wives, sitting there waiting for the statesmen of the world to "do something about it", were everywhere anxious that the people of Great Britain should know the truth—both pleasant and otherwise.

The reader of this book will find no attempt at writing an economic—still less a political—treatise. I am including the statistics of bankers and experts only where these statistics are necessary to form the background of the human picture, to show the extent of this great "slow-down" which has spread the plague of poverty and distress across the map of Europe, and occasionally to indicate precise conditions in selected industries as varied as the great Siemens electrical equipment works at Berlin, Krupps at Essen, co-operative dairies and bacon factories in Denmark, the famous Baťa boot factories in Czechoslovakia, locomotive building works at Geneva, engineering works in France, textile mills in Austria, plate-glass works and coal mines in Belgium, and farm workers in Holland.

In the course of my journey I visited Rotterdam, Hamburg, Copenhagen, Berlin, Essen, Dusseldorf, Prague, Zlin, Pilsen, Vienna, Zurich, Geneva, Paris, Lille, Brussels, Namur, Liège, and made incidental journeys from these main points covering a further 2000 miles.

The pictures of these cities will show them as they appeared to me. The conversations quoted will all record what men and women told me about their own lives and thoughts. The facts will all be facts which I checked carefully on the spot. And I have returned with the conviction that, while there are many signs that the trough of the depression has been reached, and passed, it would be difficult for anyone to exaggerate about the plight of Europe to-day.

The questions which I wanted answered, and which I shall attempt to answer myself in the following pages, fall into two groups—those concerning industry and those referring to the individual.

In the first group were questions covering the decline in national incomes due to the slump. I had been told that our own annual income as a nation was down by nearly 25 per cent—about 800 million pounds. How were other countries faring? And production? Statistics showed me that in June last Great Britain was producing only 83 per cent of the 1913 production, Germany 62 per cent, Austria 78 per cent, and France about 100 per cent. Yet in the last twenty years new inventions and vast new plants have enormously increased the potential productive capacity of Europe. Those figures suggested that, in fact, Europe's production to-day is not within 50 per cent of the possible figure were her factories working full time. I found that, actually, Europe as a whole is working to only about 35 to 40 per cent of capacity. In every plant I visited there were two sections—the section still maintaining some sort of activity, and the larger section empty, deserted and locked.

Which industries had been hit hardest and which were surviving with the least damage? I hoped to learn something about that, together with some information which would shed light on the intriguing question—important in view of the World Economic Conference—of how far tariffs had aggravated the situation, and how far the decline in trade was due to other causes, such as currency restrictions and the decline in purchasing power.

The truth about taxation? Another interesting problem, with an interesting answer. I found that for the year 1930, of the entire national income, 23½ per cent was absorbed by taxation in Great Britain, 22 per cent in France and 28 per cent in Germany. Probing a little deeper, to discover how that burden was spread, I found evidence of Germany's poverty and some explanation of the difficulties which her middle-class is facing, for the statistics showed that a married man with two children and an income of 30/- a week, pays 10 per cent of his income in taxation in France, 12½ per cent in Britain and 22 per cent in Germany.

Unemployment—and the relief given to the workless?

I had in my mind a whole battery of questions on these points —questions which were answered when I talked with the men controlling the unemployment systems in the various countries, and stood in the queues with the workless, observing what they received at the end of the week and the expediency with which they were handled by the officials.

Even more important was the second set of questions in my mind when I was carried across Holland to Hamburg, the first city on my route. These were the questions which could only be answered by the people—by the workers and the workless in their own homes. They were concerned with such problems as the cost of living, household budgets, rents, accommodation, wages, hours of labour, social services, food, hunger, and recreation.

To fulfil that part of my journey I spent two days in the homes of Berlin's workless. And I saw there poverty more terrible than anything I saw during weeks spent with the workers and peasants of Soviet Russia. For the Russians at least have hope—and hope helps when one is eternally hungry.

I talked with Danish smallholders and farm workers, with Czech skilled engineers and boot operatives, with the workers and workless of Vienna, Swiss building labourers and engineers, with French trade union leaders. I ate with Polish, Roumanian and Jugo-Slav miners employed in the Belgian coal pits. I went with their wives to do the week's shopping, visited the hostels where live the single men, and learnt what they think about it all.

I travelled through agricultural Holland, where you would not know there was any slump until you talked with the men who have to sell their produce.

I drew my ration of soup at an emergency soup kitchen at Berlin, and sat on the pavement outside to eat it with workless men who " dipped " into the daily ration before carrying it home.

I visited schools, hospitals, crèches, company shops, modern housing estates and slums. In short, I saw both the

best and the worst that exists in industrial Europe to-day. I listened to the men and women of eight countries who know that, if the winter of 1931 was a time of privation, the coming winter is going to be the hardest winter of a century.

Mostly they are tightening their belts and smiling bravely. A few, especially in Germany, are utterly broken by adversity. A handful more in every country are looking to Moscow for a way out. But the majority do not believe in short cuts to the millenium. They have been fed on hope too often.

The industrialists and bankers were more hopeful.

While making no attempt to minimise the seriousness of the situation, or the repercussions of those figures of declining world trade which I have quoted in this chapter, they think that after that hardest winter, spring will not be far behind—a spring which will bring the first gentle breezes of trade revival to stir into activity those idle blast furnaces and empty workshops which faced me everywhere, and to provide work for some, at least, of those twenty millions of idle men and women.

When asked to point to the factors which would make for better times in 1933, they could not be very explicit. At bottom their faith is like the faith of a good many people in this country—a belief that things are now so bad that they must get better—or very much worse. And Europe cannot stand worse. If worse befell, one country after another would be going off pop like chestnuts exposed to too fierce a fire. The nations of Europe, with few exceptions like France, Switzerland, Holland, and Denmark, are to-day enduring a tension which cannot be increased without results which are socially and politically terrifying to all who believe in ordered progress.

"Things must get better unless the world is mad," said a great German industrialist to me. "Look at the facts. In two years one-half of the entire international trade of the world has disappeared. Vanished into thin air. And the figures for this year will show a further decline. Given no change in direction, in another eighteen months at the most

there will be no international trade left. And long before that the world would have disappeared in a welter of revolutions. I tell you, it takes a lot to galvanise governments into doing something, but something must be done. Too many people have too much to lose by doing nothing. In another twelve months at the most this slump will be passing. And it will end because in 1932, for the first time since the war, the doctrine of economic nationalism—of living or attempting to live in water-tight compartments—received its death blow. Nations learnt that if they do not hang together, then their Ministers of State are likely to hang separately. If Europe can stand another nine months of privation without cracking, then I shall be seeing smoke coming out of those chimneys of mine for the first time in three years."

A comforting opinion, even if it does not bear close analysis. I quote it because it expresses fairly accurately what I heard again and again during my journey. In many cases the speakers added their belief that Britain and our Prime Minister—whose prestige stands high in all parts of Europe—would lead the way back to the promised land of milk and honey.

But that is day-dreaming. Meanwhile the depression casts its shadow over all Europe, and there is that hardest winter looming ahead. Here is the story of how the ordinary peoples are faring on the eve of that time of supreme trial.

CHAPTER II

GERMANY—"UNDER ALL"

I MET her, the wizened-up little woman who had seen the birth of united Germany and might yet live to see its death, at the top of a rickety wooden staircase in a tenement house in the old quarter of Hamburg. A friendly tavern-keeper, knowing that I wanted to visit some of the houses in that slum-street, had asked her whether I might see inside her one room, and she had agreed.

Now she stood aside on the landing, a queer, bent veteran, over eighty years of age, yet still with a sparkle in her eye and a clear pink complexion almost innocent of lines or wrinkles.

She was clad in a black dress and on her head was a white lace cap. Her room was as clean as herself, despite the fact that she was living on an old age pension. It was quite a large room but so packed with furniture and bric-à-brac that it was difficult to enter.

"When my husband was alive we had a house, and I could not bear to part with all our furniture," she said, answering my unspoken thought.

The centre of the mantel was occupied by a head of the Christus, modelled in some clay and painted. I suppose she saw me looking at it, for she suddenly said, very softly: "It would be better for Germany if we thought more about Him. My country needs His help to-day."

Wise old lady of that Hamburg attic, who had been a woman when Bismarck fashioned the Empire, and was already a widow when Wilhelm fled, to leave to others the task of fashioning a republic out of the wreckage of his mad dreams. Those were the truest words that I heard spoken by anyone in that great country.

Of all the European nations, it is Germany upon which have fallen the worst effects of the international trade crisis. And of all German cities, Hamburg forms the most accurate "yardstick" for measuring the state of German industry in both good times and bad. At Hamburg, therefore, I began my investigations into the condition of Europe.

The growth of the Free City of Hamburg—largest port in Continental Europe—tells the story of the rise of the German nation as an industrial state. In the fifty years from 1860 to 1912, the number of ships registered at the port, and their gross tonnage, increased by twelve times. Germany's mercantile marine aggregated 5,500,000 gross tons in 1914, and more than half of this figure was accounted for by the "Hamburg fleet" which made the city one of the most prosperous in Germany. That fleet was swept away by the terms of the Treaty of Versailles. In 1920 Hamburg faced the task of repairing the ravages which the war had inflicted. Her ships had gone, her wharves had for four years been bare of merchandise.

To-day the German mercantile marine again aggregates 4,000,000 tons, half of which begins and ends its voyages at the great terminal port on the Elbe.

The slump put an end to that brave effort at reconstruction, however, and to-day over one hundred and eighty ships of the "Hamburg fleet" are laid up and idle. The cargoes they would have carried form part of that fifty per cent of all Europe's exports which are exported no longer. The long lines of smokeless funnels and motionless steamers, which I saw in the docks along the Elbe, were the first victims of the economic blizzard that I met on my journey. Those ships were silent but eloquent testimony of the fact that in Germany, on the eve of the hardest winter of a hundred years, forty-four out of every hundred trade unionists are workless and dependent upon their own past thrift, or upon state assistance, for the means of life.

That fact—that 44 per cent of all organised workers of Germany are unemployed—conditions life for every one of the sixty-three millions of Germans. It forms the starting point for any attempt to investigate conditions in that country. In Britain only Glamorgan and one or two other restricted "black areas" have so high a percentage of workless; for Britain as a whole, the percentage of unemployment in August, 1932, was less than half the German figure. What the

Photo: E.N.A

OLD HAMBURG

A bird's-eye view of the old city and harbour from the tower of the Nicholas Church

HAMBURG'S IDLE HARBOUR

At the time this photograph was taken only two out of the twenty-five cranes seen in the photograph were working.

decline in German industry means, to the nation and to its people, was suggested by two incidents which occurred on the train which carried me over the first stage of my journey.

I had been warned that the German Government had placed an embargo upon the export of money, other than cash or credit taken into Germany by visitors who secured a Customs Declaration showing the amount possessed when entering the country. Upon leaving Holland I found that the German Customs officials were more concerned about this money question than with baggage. Later, I was to find the same rigorous restrictions generally enforced in all the countries of Central Europe.

For me to secure the necessary declaration was simply a matter of a few minutes' trouble and the production of my credits at each frontier. But what of the manufacturer or trader domiciled in one of the thirty countries where exchange restrictions are now in force, who wished to buy machinery or goods from abroad? For him the embargo means filling up countless forms, interviews with officials, explanations—probably only to discover in the end that the necessary foreign currency is not forthcoming.

An Austrian or German store may wish to buy a hundred miles of cotton cloth from Lancashire. Patterns, price and delivery date may all be settled to the satisfaction of both parties. The store may know that it can sell those rolls of cotton as soon as they are delivered. But trade has ceased to be a matter of buying and selling—the need for bolstering up currencies by artificial means has made every purchase involving a country's reserves of foreign currency a matter needing official sanction. So the store concerned must do without its Lancashire cotton, and Lancashire must do without the order.

There, on the German frontier, was one of the reasons why half the export trade of the world has disappeared, and why what is left is still declining.

The second glimpse of what the slump means to Germany came from a fellow-traveller, an English business man

married to a German, who had conducted business relations with that country for many years. He told me that he was travelling to Osnabruck to " see what could be done about two sisters-in-law living there ".

" They are not grumblers," he said. " They were in Germany throughout both the war and the inflation period and I never heard a complaint. But the letters which we have received recently have been so pitiful that I can't stand it any longer. I am going to Osnabruck to induce them to return to London with me, at least until next summer.

" The German people suffered hardships in the days of the Allied blockade. I was in Germany during the days when the mark was crashing down to waste-paper level, when everyone rushed to the shops as soon as they received any money at all, to spend it while it would buy anything. And the shopkeepers had to alter their price-tickets a dozen times a day to keep pace with the falling value of the mark. But nothing that this people suffered during that time equals the privation and destitution existing to-day. Germany has reached breaking point. You will see."

I was to learn the truth of that summary of conditions in Germany when I talked with the Director of Unemployment at Hamburg less than twenty-four hours later.

Had I left the country after spending that Sunday afternoon at Hamburg, however, I should have carried away a picture of a prosperous city containing some of the most magnificent public buildings, housing estates, schools, hospitals, crèches and office blocks to be found in any city in the world. A picture of the Alster Lake, in the centre of the city, crowded with sailing boats and smaller craft filled with sun-tanned and care-free citizens disporting themselves in the sunshine, and beer-gardens round the banks of the lake filled with happy men and women.

For in its darkest hour Hamburg, proud Hanseatic city with ten centuries of history stretching across the years, remains a city of contrasts. Germany to-day is enduring privations exceeding anything in its previous experience—

and enduring these privations in cities which are the finest, architecturally and materially, in any country in Europe.

I was told that 2,500,000 houses or flats have been constructed in Germany since 1919, and that there is one house for every four Germans. This means rather more than one room apiece for the entire population. Within two hours of my arrival at Hamburg I was quite prepared to accept those figures as accurate.

Germany has spent more than £500,000,000 on housing in the past twelve years—a sum exactly equalling the amount of her loans from the United States between 1925 and 1929. Whether there is any connection between those two figures; whether Republican Germany, shouldering the twin burden of Reparations and the urgent need of providing fresh capital for her industries following the war and the inflation period, could prudently spend so lavishly upon one item of her social services, is open to question. What cannot be denied is that, having decided to spend the money, the German authorities, and the building societies which carried out the actual work of construction, erected some of the finest workers' dwellings to be found anywhere in the world.

Leaving the ferry-steamer which carried me along the Alster Lake, I made my way to the most famous of these new estates built to house the workers of Hamburg, the new garden-city accommodating 2500 families in the Barmbeck district.

In location, size of rooms and general equipment, these flats compare favourably with any that can be found in the suburbs of London at rents of £120 per annum. Since my return, indeed, I have seen flats no larger, and not so well equipped, for which a rental of £250 per annum was asked.

The first flat I entered comprised two rooms and kitchen and the rent was 55 Reichmarks a month, or approximately 14/- a week in English money, measured in terms of purchasing power. The rents were based upon a charge of 10/- a month per square metre. One room and kitchen cost 7/6 a week, while the largest flats, containing four rooms,

cost 20/– a week. All were equipped with electricity for lighting, heating and cooking, while in the communal laundries provided for all tenants, the washing of the entire family was done for 3d. per kilo including soap. These laundries were also equipped with electric ironing machines and electrically heated drying racks.

The grounds around the flats were laid out with lawns, flower gardens and children's playgrounds; every flat possessed its sun balcony, and the window boxes gay with flowers spoke of the German love of colour.

In these houses live the élite of the Hamburg workers—printers, carpenters, building operatives and city officials. If a stricken city could house even its fortunate workers in this style, it seemed that Hamburg's plight had been exaggerated.

I delved a little deeper into housing conditions in that city—and discovered one of those contrasts which so baffle those who do not know Germany.

After visiting most of the "pattern" housing estates in Europe, from the Krasnaya Presnia estate at Moscow to the famed workers' dwellings of Vienna, I consider the Barmbeck estate at Hamburg the finest of them all. Yet while many of its flats remain unoccupied, within two miles families are living huddled four and five to a room in the wretched airless tenements of the older part of the city.

With over 200,000 of Greater Hamburg's 758,000 workers totally unemployed, and most of the remainder working twenty-four hours a week, the number of families which can afford 14/– a week rent is rapidly declining. In the case of the shipyard workers, such a rent would, in many cases, absorb nearly the whole of their earnings for a 24-hour week, leaving them less than 5/– a week for food, clothing and all other expenses. Incomes, even for the lucky ones still at work, are to-day so low in Hamburg that those Barmbeck flats, and others that I visited, are quite beyond the means of the mass of the population. They could not pay the rents—and in Germany the tenant who owes rent can, under

a new decree enforced by the present government, be evicted at twelve hours' notice.

Hence the fact that thousands of families cannot aspire to more than one room for four or five people, with another family of the same size crowded into the adjoining room. Those who have had to leave former homes owing to rent debts are forced in many cases, both at Hamburg and elsewhere in Germany, to live in sheds on allotments outside the city—without cooking facilities, water or sanitation.

Hamburg, and its Prussian suburb of Altona, contains for this reason some of the best,and the worst, housing conditions in Germany to-day—one example of the violent contrasts which exist in that country.

The general standard of living of Hamburg's one-and-a-half million population has declined by over 25 per cent since the beginning of the trade slump. That is a general figure—what it means to the city and to the individual families was explained to me by the Director of Unemployment for the city, and by the workers themselves.

The Director of Unemployment received me in a palatial office, far removed from the actual queues of workless which constituted the major problem of his existence. The modern furnishings of the office, the white coats of the assistants who passed in and out bearing statistics and figures in support of the director's statements, and the generous outline of the director himself, suggested a prospering and efficient business machine rather than a relief organisation swamped by the "mass need" which surged round its doors.

The first word he spoke dispelled that illusion.

"In June, 1931, we had only 132,000 unemployed," he said, "and of that number 55,000 were still in receipt of the first category dole (the highest rate of unemployment benefit, originally paid for the first 20 weeks but now paid for only 6 weeks), and 33,000 on the second category dole (paid for 52 weeks), leaving only about 40,000 who had exhausted both grades of unemployment insurance benefits and were provided for by welfare relief.

"That was a year ago. Now, with unemployment swollen to 208,000, there are only 32,143 on the first category dole, and 62,456 on the second category dole. The balance not eligible for payments in either of these classes now numbers over 100,000 families."

For a time, after 1924, Germany's scale of unemployment relief worked out at an average payment of £50 per person per year. Official figures show that the amount spent in relieving unemployment during the six years to 1930 was £600,000,000. Since that date the scale of all payments, including municipal relief, has been reduced on three occasions, the last a cut of approximately 23 per cent in June, 1932, so that to-day the majority of the workless in Germany are receiving weekly sums upon which it is impossible to starve and equally impossible to banish hunger.

The amount which the workless German receives in unemployment benefit, whether first or second category, or relief, varies appreciably according to the size of family, the "wage category" of the worker when last in employment, and the cost of living in the city or town in which he lives.

In Hamburg, a worker with a wife and two children who earned 45/– a week when in employment, receives 18/– a week while eligible for the "first category" benefit, and 17/1½d. when transferred to the "second category" dole. A man with a wife and six children who earned 63/– a week or over, receives 27/10d. a week while in the "first category", and 24/2d. in the "second category".[1]

The amount of relief received by Hamburg's workless, who have exhausted both first and second category benefits, is rather higher than in other German cities, owing to the comparatively high cost of food. Under the revised and reduced payments which came into operation on June 27, 1932, the scale of relief ranges from 6/6d. a week for a worker with three in family, who normally earned only 8/– a week, to 18/– for a family of the same size where the worker is in

[1] All cash sums have been translated into English currency on the assumption that the purchasing power of one Reichmark is approximately a shilling.

the eleventh and highest category, and formerly earned 63/– a week and more.

Hamburg having a large percentage of skilled workers, the majority of all unemployment payments come under the categories numbered seven and upwards, and range—for a family of three—from 14/9d. to 18/–. The highest rate of payment made from the municipal funds, to a worker who formerly earned 63/– a week or over, and has a family of six or more persons, is 28/– a week.

Speaking generally, the average payment received by the 100,000 workless in Hamburg who have exhausted their insurance benefits, is 9/– for a single man, 14/– for a married couple, and 3/– a week for each child.

The workers living, or existing, upon these dole and relief payments include 12,000 unemployed seamen, 12,000 out of 20,000 dockers and 37,400 metal-workers. Out of 18,000 workers employed in the shipbuilding industry in 1928, only 4000 remain at work, and 1000 of these are office employees, and technicians. Of the children who have completed their education since the beginning of the depression, 60 per cent are workless.

As I listened to the quiet recital of these figures, showing how severely the city, and its citizens, are suffering from the effects of declining world trade, the true picture of conditions in Hamburg began to emerge. To complete that picture I made some inquiries among both middle class and trade union families concerning their household budgets. In those homes, and later when feeding with the workless in some of the emergency restaurants opened for the benefit of unemployed trade unionists, I learnt something of what life is like for the German worker who must live on short-time earnings, or upon the municipal relief payments set out above.

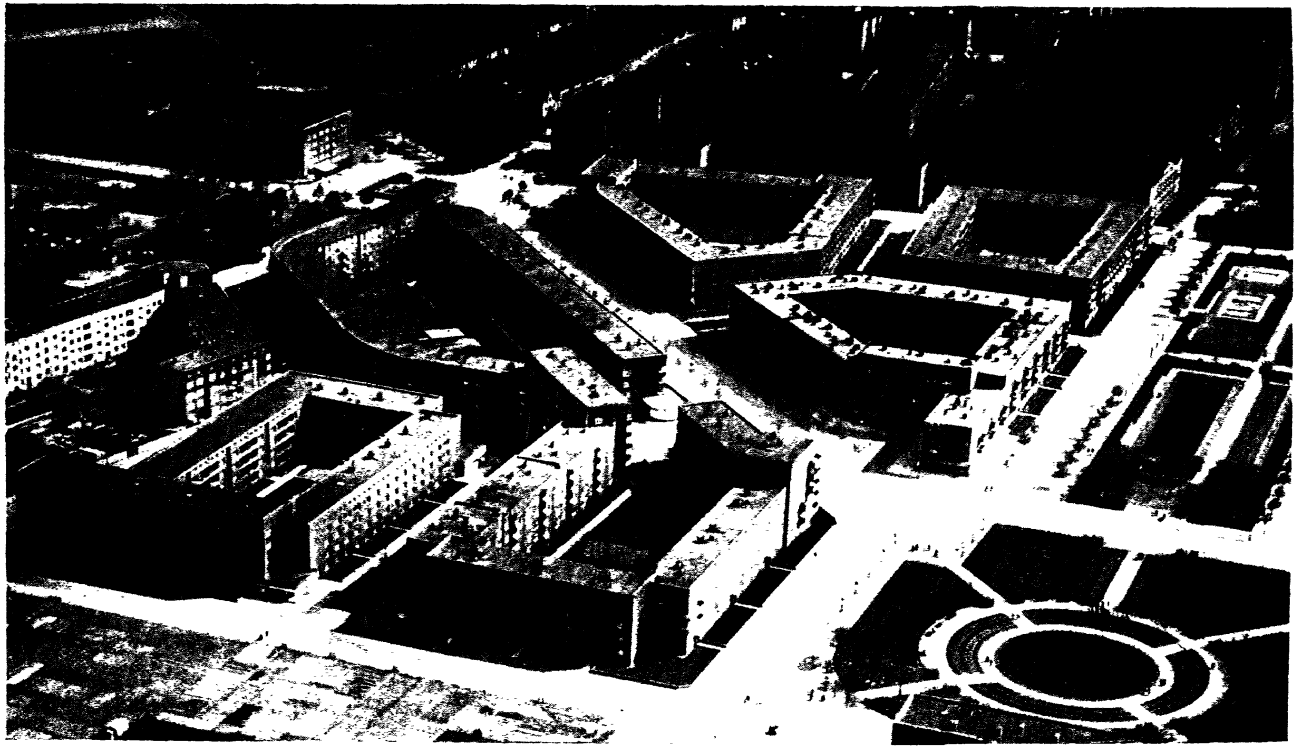
The average size of a worker's family at Hamburg is man, wife, and two children. To house four persons in comfort in two rooms and kitchen costs 10/– a week for rent; where a whole family is accommodated, owing to necessity, into

one room, the rent paid averages 5/–. Deduct the smaller sum from the 20/– a week paid in municipal relief to the 100,000 families exposed to the full force of trade depression, and 15/– a week is left upon which to provide food, clothing and everything else for four people. Inquiries made of social welfare workers, doctors and private persons showed that to feed four persons adequately but frugally at Hamburg prices costs 5/– a day, or 35/– a week. The gap between that sum, and the smaller one, reveals the extent to which the Hamburg workless, or a large proportion of them, must tighten their belts in order to survive.

The 550,000 workers still employed for some part of each week are in little better plight. Wages in the German shipbuilding industry have always been low, so low that in pre-war days few sought work in the steel or shipbuilding industries if any alternative employment was available.

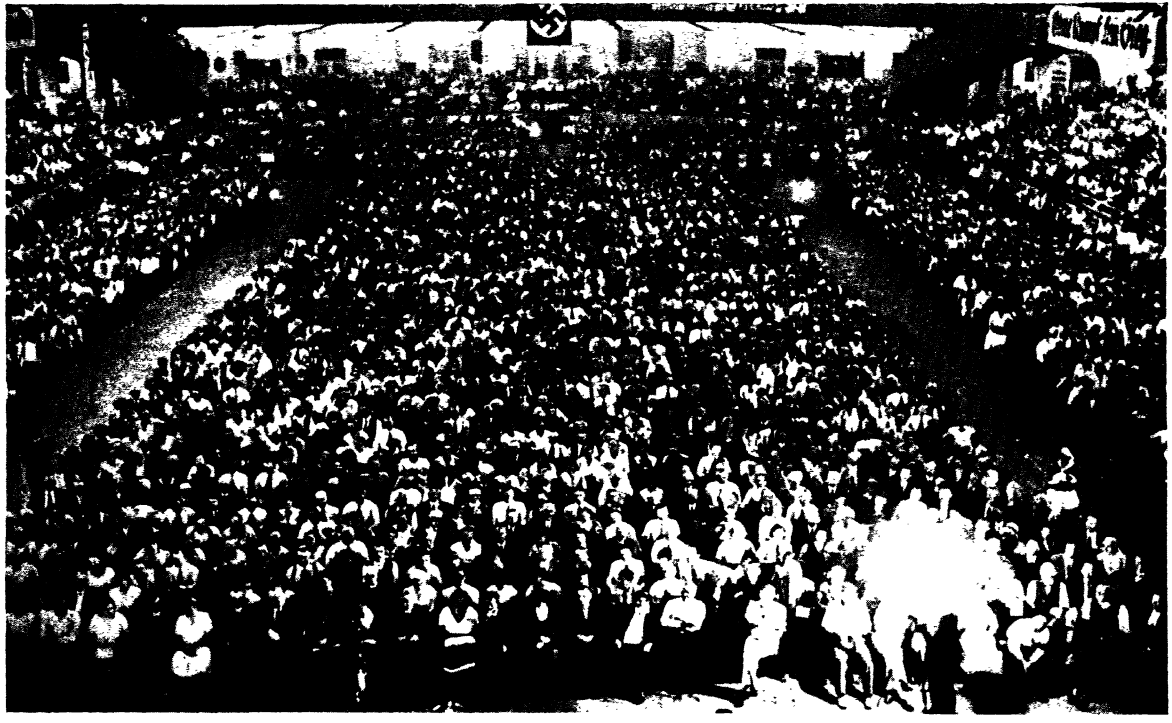
In 1923 the most skilled man employed on steel constructional work earned only 4½d. an hour. It is not altogether surprising, in view of this rate of payment, to learn that sustained unrest culminated in strikes in 1924 and 1928; these stoppages and other factors resulted in wage increases which raised the hourly rate to 11d. That figure was the high-water mark for the German shipbuilding industry. As in other countries, the effects of bad trade first became manifest in the shipyards, and in 1929, while German exports were still booming, came the first reduction to approximately 10d. an hour. A further Government edict in 1931 reduced the basic wage to 9d. There it remained until, more recently, the shipyard employees voluntarily agreed to a further "cut" of 4 pfennigs, bringing the wage down to approximately 8½d.

With the addition of bonus payments for high production, the former earnings, including overtime, occasionally totalled 1/9 an hour. To-day overtime is a dream of the past, and there are no surplus profits to be shared. That 1/9 an hour has become a memory, and the highest money earned by any worker in the Hamburg "yards" is 11d. an hour. In addition, family allowances are paid to the married workers,



BUILT DURING THE "BOOM" YEARS

An aerial view of one of Hamburg's perfectly-planned housing estates for workers.



HITLERISM IN ACTION

A crowded audience awaits the appearance of their idol at a Nazi meeting in the Berlin Sportspalast.

amounting to 2 pfennigs an hour for a wife and 1 pfennig for each child. Assuming an average family of four, this additional payment amounts to about 1/– for the present working week of 24 hours.

It would probably be correct to take 10d. an hour as the average total income of the great mass of the shipyard workers still in employment. For a working week of 24 hours, this means a weekly wage of 20/–, giving the employed worker with a family of four persons precisely the same income as that allowed to the unemployed on municipal relief. Thus is explained the fact, confirmed by the Director of Unemployment for the city, that even skilled shipbuilding workers still nominally in employment are compelled to apply for municipal relief in order to avoid starvation. Hence, too, those overcrowded tenements living one family per room, Moscow fashion, which contrasted so strangely with the palatial new housing estates nearby.

It is uncertain that even these small incomes will continue. Unemployment is still increasing. The famous shipyards of Blohm and Voss, Hamburg's largest "yard", are closed completely on Mondays, and for the remainder of the week the work is spread over two "shifts" who report for duty on alternate days, giving each man a little over two days' work a week.

The total capacity of the shipyards has declined from one million to seven hundred thousand tons a year. It could have declined to 250,000 tons a year without affecting the prospects of the workers at the moment, for no firm is working to more than 25 per cent of capacity. Compared with this low figure for new tonnage, the employment of existing tonnage is being surprisingly well maintained. Out of 1,800,000 tons of shipping registered at Hamburg, only 762,000 tons is definitely laid up, and although ships are idle at Bremen, Kiel and other German ports, the total amount of unemployed tonnage in all German ports probably compared favourably with Britain's figure of 2,196,000 tons idle on July 1, 1932.

Before leaving Hamburg I discovered two facts which provide one more contrast in that city of contrasts. The shipbuilding employers, faced with the relentless arithmetic of those low earnings quoted above, declare that it is impossible for them to pay higher wages in the face of the ruthless competition of foreign shipbuilders.

The answer of the German shipbuilding workers to that statement—which rings familiarly in British ears—was to inaugurate, some years ago, a steady migration of the younger men to the Dutch shipyards, where they found work at wages high enough to leave them better off after sending funds back to families left behind in Germany. The depression has caused a cessation in this migratory stream for the moment, but the evidence given me by one or two men who had returned from Holland proves that, so far as the Dutch yards are concerned, it is Germany, and not the "foreigner", who is keeping wages down to levels more appropriate to half a century ago than 1932.

The dockers are little, if any, better off than the workers in the shipyards. With 12,000 out of a total of 20,000 totally unemployed, and the remainder working an average of three days a week at 7/- a day, they provide no exception to the prevailing conditions—conditions which have made Hamburg a city of £1 a week families. Where three days' work is secured in any one week, they receive no municipal relief, but if, as often happens now, three days' work is not forthcoming in any one week, they receive a sum from the relief funds sufficient to make up the difference between their actual earnings, and the three days' average.

And what of the middle class, which in all countries has endured a proportionately greater contraction of income than any other class of the community? What has been their fate in a city which to-day has nearly a third of its office accommodation empty and deserted?

Let the family budget of a typical clerk with a family of four and an income of 240 Reichmarks, or £12 a month, tell the story.

From that gross income of £12 a month must first be deducted 20/– a month for unemployment insurance contribution, 27/– for monthly contribution to public health insurance for the whole family, and 4/– for citizen tax imposed in the last emergency budget. Formerly a further 1/– a month was required to pay compulsory "church tax", but this impost is now optional, with the not surprising result, in view of the prevailing conditions, that 85 per cent of all the inhabitants of Hamburg, in order to escape liability, have made declarations that they belong to no religious community.

The net income of the family is therefore 190 Reichmarks, or about £9 10s. a month. The home I visited, spotlessly clean and showing evidence of a housewife determined that the slump should not leave its marks upon her kingdom, consisted of 3 rooms and kitchen, for which the rent was £3 a month. Electric light cost 6/– and gas (for cooking) the same sum.

Good food for four people, including meat once a day, and such items as household cleaning materials, would have cost that family £7 10s. a month. But the balance available after paying rent, electric light and gas was only 30/– a week. Bridging that gap without permitting her husband and two children to notice any shortage of quantity or absence of variety in the menu, was the task which the housewife is to-day sharing with thousands of similar middle-class families in Hamburg—and millions in Germany. And, as she was careful to emphasise, that housewife is one of the lucky ones. Her husband has not had one day's unemployment in the past five years. His salary has been reduced, but only by the general average of about 20 per cent. Therefore that family budget may be taken as representative of the standard of living which both the Bruning government and the present administration consider is what Germany can afford at the present time.

The standard has declined in other respects. That budget allowed nothing for amusements. Although at Hamburg

the price of a cinema seat is 7d. up to six o'clock and 8d. after that hour, those I entered were half-empty. The beer-halls of the city were well patronised, but they represent not only a national habit, but also the cheapest form of passing the time available, for a glass of beer costing 3d. or 4d. can, with care, be made to last throughout an entire musical programme of three hours' duration.

More ambitious forms of recreation are beyond the reach of the mass of the people. Germany has no counterpart of the streams of small family cars which can be seen leaving any English industrial city on a fine Saturday afternoon. For the Hamburger, a day's outing for a family of four, including rail tickets to some beauty spot and refreshments, means an expenditure of 10/–. And the governments which reduced Germany's income by decree forgot to allow for that item in the household budget. Therefore the "once-a-month" holiday for the hardworking housewife has gone, although the younger generation escape that particular hardship by participating in the hiking vogue. It costs no more to eat in the open air than at home, providing one keeps away from restaurants and hotels.

Food is the great topic of conversation in Germany to-day. Since Lausanne it has replaced even reparations as the burning question of the hour. Where two Englishmen will, in nine cases out of ten, begin discussing sport, two Germans will ask each other why they and their families should go hungry in a world stuffed with food. Why German children should be suffering from rickets for the first time since the Allied blockade? And especially why Germany should be drinking a coffee substitute made from rye while in Brazil they are using unsaleable coffee as fuel for locomotives?

These problems worry other people besides the financiers and economists. Which explains the avid interest which all classes in Germany are taking in politics. In no country I know, not even excepting Soviet Russia, are there so many people listening to political speeches every night of the week.

When men and women, in their tens of thousands, will sit for four hours listening to impassioned oratory from National Socialists, Centre Party men, Socialists, Communists—or anyone else with anything to say—and cheerfully fight in defence of their opinions on the way home, it means that politics have ceased to be a subject for academic debate, and have become a matter of bread and butter.

On my last day at Hamburg, before setting out for my second glimpse of Germany's hungry millions in the homes of Berlin's workless, I ate lunch with some three hundred of the city's unemployed. The meal was provided for workless trade unionists at a social institute where single workers lodged, and the three hundred who were my companions were all lucky enough to possess fourpence apiece—the price of the meal consisting of soup and potatoes *ad libitum* and one-fifth of a pound of sausage per person, with bread.

Sitting with me at that long table was the editor of the local Socialist newspaper. At the end of the meal he epitomised Germany's greatest internal problem—in a single sentence.

"Our problem," he said, "is to provide sufficient fourpences for every German man, woman, and child to have a meal as good as that once a day."

Germany is not the only nation facing that conundrum, though it is in Germany that the mass need is most acute and the tension arising out of that mass need the greatest. In nearly every country on earth, not excepting the industrially powerful United States of America, the destitute and hungry are demanding of their rulers not miracles, but a fourpenny meal once a day!

That modest demand represents the greatest single problem facing the statesmen of the world. It is the human problem which lurks behind those statistical millions which are reeled off in speeches in the world's parliament by people who do not even dimly visualise what they mean.

CHAPTER III

BENEATH THE SURFACE IN BERLIN

IN June, 1929, eight and a half out of every hundred German trade unionists were unemployed. In June, 1932, as I have stated, forty-four out of every hundred were workless. Spread over all Germany, that figure means, in the words of a famous Trade Union leader with whom I talked in Berlin, that there are to-day 6,000,000 families, totalling at least 18,000,000 men, women, and children, existing on unemployment insurance payments or municipal relief. "But," added my informant, "the correct total of all unemployed is probably nearer twelve millions than six."

Production of iron and steel—the industry which records the industrial temperature of Germany—is down to only 20 per cent of the 1928 figure and still falling. The value of German exports in 1931 was £275,000,000 less than in 1929. Imports were cut in half in the same two years. Germany's savings fell from £375,000,000 in 1929 to a minus quantity, invested capital having been spent, in 1931. Her national income dropped by 5/- in every pound during 1931—a 25 per cent decline in the course of a single year.

Is it altogether surprising, in the face of these figures revealing the effects of the international trade crisis upon the fortunes of German industries, that the city of Berlin, with its bourgeois appearance and palaces, provided the German Communist Party with 382,317 votes at the Reichstag elections held on July 31, 1932?

When it is remembered that in Berlin there are to-day more Communists than Socialists, and more Nazis than Communists, the tension which has caused so many of the wealthy residents to close down their beautiful homes (where taxation was not the cause), and which has given this much-tried capital the atmosphere of a community on the edge of the abyss, is easier to understand. The inhabitants of Berlin in 1932 are like the inhabitants of Petrograd in 1917, conscious of living over a powder-magazine which many anticipated would have exploded before now, which may indeed still

explode, despite the check in the onward sweep of the Hitler movement hinted at by the election returns of July 31, 1932. For the centre of gravity of the internal crisis of Germany is not army, nor police, nor politicians. The real arbiters of Germany's fate are the millions within the ranks of the impoverished middle and working classes of the Republic. And their patience is the true measure of Germany's chance of recovery and her survival as a civilised nation.

Every day the crisis in international trade continues, the number of Germans whose standard of life is devastated by unemployment and under-employment increases, and the number of those who, having exhausted their right to both first and second category " doles ", are forced to exist upon municipal relief, mounts steadily higher.

The number of German families living on this minimum " dole ", or welfare relief payment, was 1,500,000 at the end of 1931, or double the number of a year before. Since that date the figure has doubled again, for according to official statistics published on August 15, 1932, out of 5,383,000 registered unemployed in receipt of payments at that date, 714,000 were eligible for " first category " insurance benefits, and 1,322,000 were receiving the *Krisenunterstutzung*, or " second category " benefit. Add those two figures together, and it will be seen that in August 1932, 3,347,000 workless German families were either living on welfare relief or had been refused any benefit. That figure means that at least 10,000,000 men, women, and children in the ranks of the registered unemployed alone are trying to solve the riddle of getting enough to eat on about 2/6d. per week per person.

The exact monthly amount paid in welfare relief to each family varies according to the budget of the communities who shoulder this burden of destitution. For the relief is not paid by the Reich, which only makes a small contribution. If the total taxable income of a city or town is low, then the sum available for division among those workless who have exhausted their right to the first and second category benefits

is low too. In some cases the burden of unemployment had forced a district into something like bankruptcy and nothing is paid at all. Thus I heard of some industrial communities in Thuringia where, in the absence of funds to pay welfare relief, the workless were given official and written permission to beg alms in the streets.

The accepted scale of welfare relief for all Germany, as stated in the previous chapter, is 9/– a week for a single man, 14/– for a married couple, and 3/– a week for each child. But any community may increase these payments if the money is available, or reduce them if funds are low. There are also certain differences due to variations in the cost of living. Thus the average amount of welfare relief paid to married couples with four children living in towns of over 200,000 inhabitants varies from 68/– a month in Halle to 101/– per month in Stuttgart, while the Berlin figure is 76/–.

It is officially admitted in Germany that those on the larger first and second category " doles "—unemployment insurance proper and the so-called " crisis-category "—cannot secure enough to eat. And their incomes are at least one-third higher than the amount received by those subsisting upon these welfare-relief payments.

How, then, are these families, all workless for more than eighteen months, upon whom the effects of the slump have fallen in all their severity, managing to exist at all? To find the answer to that question I spent two days in the homes of Berlin's workless—homes chosen at random from files in one of the city's welfare organisations—accompanied by a young German welfare worker who has for five years watched the slump spreading its evil breath, like poison gas, across the whole working class districts of the city.

In those tenement homes, hidden from the tourist gaze in the other Berlin—not the Berlin of the hotels and theatres and cabarets but the Berlin that shelters one million of Germany's hungry legion—I came face to face with the world slump not in terms of exports or imports or national incomes, but of the family larder, and the idle hungry hours.

It was agreed, before we set out, that as some return for the questions that I wanted to ask those housewives, we should take with us a package of food for each family. Our first call, therefore, was at a provision store where a number of packages were made up, each containing:

½ lb. Cocoa.
½ lb. Butter.
2 lbs. Sugar.
1 lb. Pork Dripping.
6 Eggs.
½ lb. Coffee substitute (made from rye).
½ lb. real Coffee.

The cost of each parcel was 5/6 in English money, which was about the cost of the same commodities if purchased in a working class district of a Lancashire town. Having loaded a dozen or so packages into our taxi, and thus assured that number of families of several feast-days in one week, we set out to discover what real poverty means in slump-ridden Berlin.

Had I expected to find a region of slums, squalid and uninviting, I should have been disillusioned. Berlin, like most great cities, has its areas fit only to be condemned, but the slump long ago became too general to be confined to them.

In the course of those two days beneath the surface of Berlin life I saw overcrowding, because those living on relief can rarely afford more than one room, however large the family. But that one room was, in almost every case, scrupulously clean—miraculous enough considering the cost of soap. I saw hunger, because, as I have said, these victims cannot escape that horror. I saw rags, because the welfare centres can no longer supply anyone with even second-hand shoes until *both* the soles of the existing pair have been worn to nothing. The mass need is now so great that it has swamped every channel along which relief trickles. Judging by the incredibly patched pair of trousers worn by one

unemployed man, who had just been refused a new pair by the welfare centre, on the grounds that those he was wearing were still serviceable, I imagine that a workless German would have to offend public decency before any help would be forthcoming in that direction. To see those trousers within a day of leaving the workers' housing estates at Hamburg was akin to stepping backwards from the world of machines into the Dark Ages, and spoke more eloquently than any number of diplomatic speeches of the catastrophic decline of Germany's standard of living during the past two years.

But more painful than any of these things, I saw utter despair. Some of the wives could still hold up their heads and be interested in the life about them, but most of the men were shattered in spirit and breaking in health. They had fought despair for one year, two years, maybe even three years. But it got them in the end. That is why the poverty of these Berlin workless seemed to me a more terrible thing than anything I have seen in Soviet Russia. However short, at times, the Russian proletariat may be of the necessities of life, few are short of hope. And whether they are justified in the hopes which they nurse in their hearts or not, there can be no question that hope means much when economic forces are increasing the severity with which life presses in upon the little home.

The first house I entered was still supported by the second category " dole ", the husband, a baker, having been out of work only seven months.

The family comprised husband, wife, and four children, and the total income amounted to 94/– a month, made up of 82/– unemployment benefit, and 12/– a month orphans' pension received for one of the children.

For one room and a kitchen in a large tenement building, with a wall blocking out both view and light, they paid 20/– a month rent, leaving a balance of 74/–.

Electric light and gas cost about 7/– a month, soap 6d. a month, and a burial insurance policy for the family another

1/6 a month. Payments on this policy were being discontinued on the week that I called.

The rest of the income, amounting to 15/– a week, went to buy food for six people, a task made easier by the fact that three of the children were supplied with a midday meal—and a good meal—at the school they attend.

The weekly menus in this home consisted of oatmeal, potato soup, herrings and bread. Only in the case of the husband was there any sign of physical strain, and he was well below the standard of fitness enforced in the German Army in which he had served in what, tragically enough, he spoke of as " happier days ".

The man was entitled, under the national health insurance scheme, to medical attention free when necessary. Wife and children formerly received the same medical benefits, but a new decree, forming part of the " economy campaign " imposed under the Bruning Government, makes it necessary for the wives and children of trade unionists to pay 50 pfennigs (6d.) for the services of the insurance doctor, plus half the cost of any medicine prescribed. From my observations, the effects of this decree must prove injurious to the national health of the German people at a time when sixpences are not too plentiful.

In another home a family of seven—man, wife and five children—were living in two rooms. The man, workless since the beginning of 1931, had formerly been employed, first as a clerk, and later as a salesman in a store, his wage in the latter occupation being 42/– a week.

The total income of the family, from the "second category" dole, had amounted to about 30/– a week, but this sum was subject to a cut of 20 per cent on June 27, 1932. On the same date the rent of 10/– a week was raised to 12/6, or nearly half their total income, by the reimposition of a rent tax formerly waived in the case of the workless. Thus the relentless march of the crisis forces the living standards of its victims down and down.

Sitting on the only sound chair in that home, in which a

sewing machine was the sole article of furniture which would have sold for more than a few pence, I listened while the wife, a woman of twenty-five whose face bore clear marks of strain, explained to me how they managed to feed seven people on 15/– a week.

A loaf of bread a day cost 6d. A pound of dripping a week cost the same sum. They bought one litre (pint and a quarter) of milk a day for the two youngest children, and ¼ lb. of butter a week for the youngest child. Three lbs. of sugar a week, two tins of condensed milk for the baby, aged nine months, and five cigarettes a day for the man, costing one penny a packet, completed the list of " luxuries ". For the rest, they had 8 lbs. of potatoes a day and, twice a week, 3 lbs. of cabbage costing 3d., boiled into a soup to which, on Sundays, was added a pennyworth of bones. Occasionally—not more frequently than once a month—they bought half a pound of pork at the specially reduced prices charged, under government supervision, to those in receipt of " doles ".

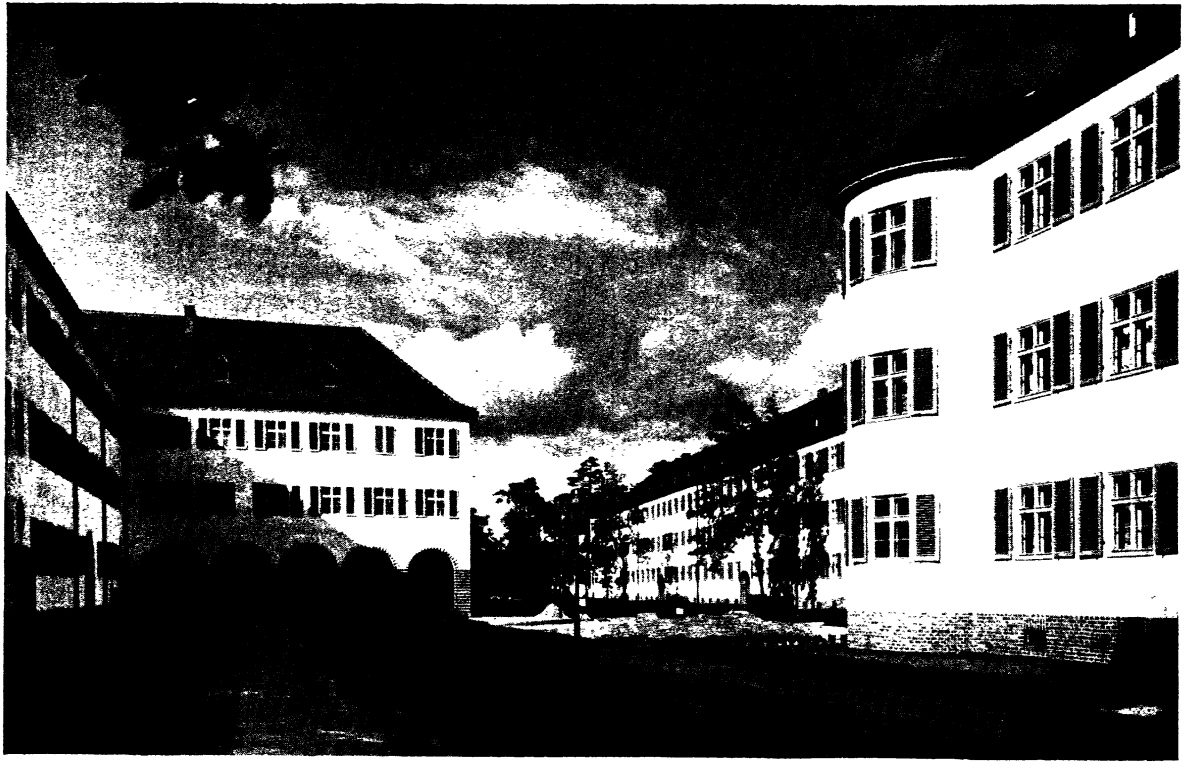
" The meat cards make a difference, of course," said the wife, " but not as much as one might imagine. We are allowed 2 lbs. of meat every two weeks at a special reduction of 2d. a pound. A pound of pork costs us 6½d. instead of 8½d. But we rarely use the cards. You see we cannot afford meat at any price."

That was all. After inspecting that larder, and a few more in the same district, I was not surprised to learn, on the authority of the medical officer of health of a district of Berlin where dwell 300,000 workers, that he is confronted with the effects of chronic under-nourishment among both children and adults.

From that home I went to another near by—two rooms occupied by a builders' labourer, unemployed for over two years. The rooms were in a cellar below the level of the street, and approached through quarters occupied by another family. The income for a family of three was 16/– a week, " a little higher than the average ", as the man explained to me. The rent, including the new tax, was 6/– a month. The

BERLIN'S GREATEST FACTORY

One block of the great Siemens electrical works, situated on the outskirts of the German capital.



THE GARDEN CITY AT SIEMENSTADT

A corner of one of the estates built to house the Siemens employees and workers.

wife produced the rent book, showing that they owed two months' rent, and in view of the new law, already mentioned, which rendered them liable to eviction at any time upon twelve hours' notice, it worried them. If that happened, they explained, there would be no alternative to a shed somewhere on the outskirts of the city, which would mean living like pigs, and necessitate a long walk for the man every time he had to report to the relief officer.

The husband had just drawn 32/–, two weeks' relief payment, and I went out with the wife to spend it.

The first 9/– went to pay a debt at the grocer's. A cwt. of coal cost another 1/6½; 12/– went to pay the fortnight's rent; 2/6 liquidated a debt for potatoes eaten during the previous week. Seven shillings were left, and the wife spent this on eggs, dripping, bread, potatoes and cabbage—which may be described as the universal diet of the German workless. On that menu, they had to exist for another week at least.

When we returned, the husband was sitting on a box, his head in his hands—gazing fixedly into space. Looking for what? As a trade unionist, he had been a member of the Social Democratic Party, the bulwark of the German Republic. Now he was nothing—too broken in spirit to care. Sitting there, a picture of dejection, he might have been looking back to the pre-war days, when the Junkers thundered forth claims to a "place in the sun", and at least found work for their people. If he was, who will blame him? It is one of the misfortunes of these years that troubles have crowded in upon Germany under the republican régime.

A moment later two young men, clad in leather jackets, burst into that cellar-room with a stamp of feet, to provide another glimpse of the curses which afflict Germany to-day. This time the curse, not of poverty, but of Hitlerism.

It could not truthfully be said that the visitors entered that room. Their domineering manners and assertive attitude somehow preceded them through the door, which they slammed after entering. Compared with the Socialist worker,

wearied by waiting for the turn of the tide, these two members of the Nazi " S.A." (" storm detachments ") represented another world—a Germany which has lost its patience and demands the impossible under threat of instant reprisals.

The sight of a foreigner in no way cooled their truculence. On the contrary, upon learning that I had been asking questions concerning the lives of the workless, they began to shout their opinions of what should be done to whatever is the German equivalent of " nosey parkers ". What might have happened I do not know—probably nothing, although the social worker accompanying me was obviously anxious. That cellar-home was a long way from the nearest available policeman, and the casualty list of the " war " between the various political factions in that neighbourhood had caused tempers to get a little more frayed than usual.

It was the wife who ended the incident, womanlike, by the simple expedient of pushing the two embryo Hitlers into the inner room and, after closing the door upon them, standing before it while she explained that they were friends of her husband, who were enthusiastic followers of the Nazi chief. I do not doubt their enthusiasm. Those two young workless men were walking evidence, seen beside that Socialist, of the fact that whatever else Adolf Hitler has, or has not, done, he has enabled a large number of Germans to keep up their spirits—the great demagogue would himself call it " saving the soul of Germany "—at a time when Germany's spirits were in danger of sinking to zero. But after talking with some of the leaders of the Nazi movement, I still doubt whether either of those two Germans, for all their enthusiasm, had the slightest idea where Hitler was likely to lead them, even were the road ahead of him wide open.

I asked one or two further questions concerning that family and made my way out of the cellar and into the fresh air. When I left, the woman was still standing sentinel over that door and the two Hitlerites were remaining quiet within. I have thought since that that scene constituted a parable upon which the Von Papen Government might well reflect.

But I formed the impression that General Schleicher, at least, has learnt it already and fancies himself in the rôle of the wife.

A fourth picture—this time also the " home " was a cellar-room in which lived a married couple with six children. The furnishings consisted of one bed, two chairs, a table, chest of drawers and a box which served as a larder. The children slept on the floor. The total income for the eight was 30/- a week relief, out of which 5/- rent must be first deducted.

The day before I entered that one-room home another baby had arrived, but the mother offered to see me.

She was lying in the only bed, with the child at her side. The husband sat beside her. The children had been turned out into the streets to give the mother an opportunity of resting.

As I entered, the woman looked at me with eyes which seemed to reflect in their depths all the sorrows which afflict the German poor to-day. She spoke just one sentence and turned away. What she said was: " Tell your English comrades that the mothers of Germany have only potatoes on which to suckle their infants—only potatoes are left to us ! "

The hardships of such lives are mitigated here and there by the spirit of neighbourliness, and by charitable aid. But now the mass need has become too great for palliatives to make much difference. In Wedding—reddest suburb of Berlin—and other districts I visited, one gained the impression that there is genuine want and hardship in every other home.

" Five days a week we have something to eat, though not enough. The other two we go hungry." Thus another workless man summarised for me life on the second category dole and municipal relief. And there are at least 20,000,000 of Germans—nearly a third of the entire population of that country—in that hungry legion.

To-day no additional welfare relief, either in money or kind, is obtainable where the net income of a family is over 30/- a week. To admit the impossibility of maintaining a

family of six upon such a sum would be to open the floodgates, and both the social funds and the German Budget would be overwhelmed. One mother showed me a pair of child's boots, worn out after seven months. There were holes in both soles. Upon applying for another pair as "special relief" at the welfare centre, she was met with a complaint about "unfair wear" and told to see that her child—a boy aged five—made the new pair last at least twice as long.

In 1928, before the oncoming depression had made "cuts" in unemployment benefit necessary, the average income of an unemployed man with three in family was £8 a month. Then it was possible for some families to help others less fortunately situated. Now, with the average "dole" for a married couple with two children, spread over the whole of Germany, only amounting to about 75/– a month, community help on any considerable scale is impossible.

Nor is it possible any longer for a wife to eke out a precarious income by "charing" or sewing. Thousands of competent women are looking for work of that sort and there is not enough to go round. The wife owning the sewing-machine in the home I have mentioned above, told me that she had undertaken work for neighbours, but they could not pay, and with seven people to be housed and fed upon 28/6 a week she could not afford to buy material and give credit. The problem of under-consumption which is baffling the economists and statesmen is not likely to be solved by women in the stricken tenements of Berlin, surrounded by those as badly off as themselves. Nowhere is the vicious circle of poverty more vicious than in those streets which the slump has robbed of three-quarters of their incomes.

The relentless pressure of mass need is bringing about another social change—the growing proletarianisation of the whole of Germany. State pensions and other incomes paid to the middle-classes are cut down in order to balance the Budget. Numbers of families formerly above the poverty

line are forced to claim relief from the city funds. Rents rise owing to the imposition of the new rent-tax which was to swell the coffers of Germany at a critical juncture in her history. Many tenants, their own incomes already dwindling to the point of hunger, must appeal to the authorities for financial assistance. If they are among the large number of workers on short time, that appeal cannot be avoided in the absence of savings in the bank.

Where can the custodians of Berlin's finances get the money from to meet these new claims? Only by pruning further the salaries of its public officials, or by cutting down the number employed. In either case, one further step has been taken along the road which leads, at an increasing angle of steepness, towards the final absorption of the once powerful German middle-class into the ranks of the proletarians.

In Germany this "vicious spiral" is creating whole new classes, not of "new poor" but of "new destitute". The progress of Germany towards the completely proletarian state has been more rapid than the outside world realises. And it still continues.

From the Berlin inhabited by the hungry I returned to the Berlin that visitors know—to a palatial office near the Unter den Linden, where I talked with Herr Dr. Reichert of the *Verein Deutscher Eisen und Stahlindustrieller*, the federation of the iron and steel industry.

Those I had left were the privates of German Industry, suffering from the economic "war" as the rank and file always suffer in all wars. The imposing figure with the close-cropped iron-grey head, and penetrating eyes, which faced me across the massive carved desk was a General in Germany's industrial army, one of the leaders of her greatest industry. I left the larders of Berlin to listen to Herr Dr. Reichert talking in millions. That was the only change. The problem of the unemployed, and the problem of the industrial leaders, are one and the same. The burning question for every German employer on each Friday is whether he will have enough money to pay his wage-bill the following day.

According to Herr Dr. Reichert, the German iron and steel industry has laboured under a series of handicaps since the Armistice, culminating in a trade slump which has reduced production to only 20 per cent of the 1928 figure.

Nearly thirty billions of gold marks were needed for the reconstruction of the industry following the war and the losses of the inflation period. This money had to be put into the industry at a time when Republican laws—formulated by a combination of producers, consumers and trade unions—artificially restricted prices in the home market to 50 per cent of the 1914 figures, compared with an increase of 250 per cent obtained by British and Belgian steel producers in their respective countries.

1923 brought the French and Belgian occupation of the Ruhr Valley, where is concentrated the greatest iron and steel plants in Germany. That desperate reparations gamble, which so aggravated relations between the French and German peoples, put the heavy industries out of action once more, and at the end of it the French—according to Herr Dr. Reichert—involved the German iron and steel employers in further heavy losses by removing all stocks.

Following the ending of the Ruhr occupation came the beginning of a return to something like normalcy in Western Europe. German working capital had been exhausted by the effects of war, inflation, price restrictions, and Occupation to a point at which it was impossible to get the wheels of heavy industry turning again without fresh supplies of money. And that money could only be obtained abroad.

It was obtained, as everyone knows, mainly from two countries—the United States and Britain. From across the Atlantic a torrent of gold, totalling five billions of dollars, flowed into Germany's industrial plants, while smaller sums came from Britain and Switzerland, and still further amounts were raised internally. Unfortunately for German industry, the burden of the reparation payments did not make her a "good" borrower in the financial sense, and the average interest which her industrialists had to pay for their new

capital, which to-day forms the " private debts " of German industry, was 12 per cent for internal loans, and 9 per cent to foreign creditors. It is the burden of these loans, forming part of the credits " frozen " by the standstill agreement, which has greatly added to the difficulties experienced by the Reichbank in protecting the exchange value of the mark during the past three years.[1]

Officially, Germany has made no complaint concerning the rates of interest charged for these " private " loans. Unofficially, judging by the comments of those industrialists with whom I talked, the revision of interest rates on these debts—and by " revision " they mean downward revision—is an issue which will have to be faced in the near future if Germany is to recover her productive power and those unemployed millions are to be provided with work.

Germany is not alone among the nations of Europe in visualising an economic " Lausanne " to follow the conference which made an end to reparation payments. This question of excessive rates of interest for foreign loans is engaging increasing attention in other countries. Certainly the burdens so lightly shouldered in days when the money was borrowed do not press so lightly to-day. According to figures which I have seen, the average rate of interest charged on all loans made to the whole of Europe since 1918 works out at no less than 12 per cent, while in the case of some countries not blessed with good prospects at the time when the loans were contracted, the *average* interest rate is as high as 25 per cent per annum !

In a country where millions are existing below the hunger line, the statement that wages were too high sounded strange. Yet this leader of the steel industry accepted responsibility for the statement that the amount of production costs in that industry absorbed by wages was higher than ever before.

According to Dr. Reichert, the peak for wages in the

[1] According to official figures published in Berlin in August 1932, Germany's total debt, public and private, amounted to £4,500,000,000, and the annual interest due on that sum is £310,000,000.

industry was reached in 1929, when the rates paid were 80 per cent above the pre-war figure. Since that year wages have been steeply reduced, but on present rates, in the event of full time being generally worked again, earnings per skilled worker would amount to 55/– a week compared with 30/– to 32/– in 1913. The cost of living in Germany on the other hand is now only 20 per cent above the pre-war figure.

Actually very few even of the most skilled steel workers can to-day earn that 55/–, as I shall show in a later chapter. The number of workers employed in the steel industry is only half the 1929 figure, and that half is mostly working from three to four days a week. The full-time worker in the German "heavy" industries is nearly as rare as it is possible for any species to become without suffering complete extinction.

"Some of our competitors, especially the French, for political reasons, declare that German industry is completely rationalised and equipped and, relieved of the reparations burden, would be in a favourable position to capture the export trade of the world," said Dr. Reichert, in conclusion. 'Think over the facts as I have stated them, and then explain to me how we could possibly have re-equipped our industrial plants so miraculously, faced with the conditions which I have outlined?"

There was much one might have said in reply. Germany's great industrial plants are rationalised to a point exceeding that reached in any other country I have visited, and that fact must count in their favour. And certainly, among those who should know, the idea of German industry being favourably placed, given an ending of the international trade crisis and the lifting of the reparations burden, to conduct an immense "drive" for new markets, and to recapture old ones, is deep-rooted. Herr Dr. Reichert sounded convincing. Yet when I recall two of the greatest industrial plants in Germany which I visited during my journey, I cannot feel sure that the plight of German industry, crisis apart, was as black as he pictured it.

CHAPTER IV

POUNDS, PENCE—AND POLITICS

THERE are usually two sides to a fence, and it pays to look on both. After listening to Herr Dr. Reichert's plaint that German wages are still too high, therefore I sought further information concerning the precise earnings of Germany's "lucky legion"—the fifty-six trade unionists out of every hundred who still have some sort of work, albeit only short-time work.

About half these workers are in full-time employment. The balance are working from twenty to thirty-five hours a week. Their incomes vary, the municipal workers, printers, electrical equipment workers and skilled men employed at such favoured industrial establishments as the famous Carl Zeiss works at Jena, being at the top of the scale, and the miners (as always in all countries), dockers and shipyard workers at the bottom. In between these two groups is to be found a wide variety of conditions.

Up to date, the depression has passed lightly over the Zeiss works, manufacturing everything dealing with fine mechanics from spectacles to searchlights. In that plant the skilled worker is still earning about 50/– for a 42-hour week, compared with about 60/– for a 48-hour week in 1927.

Compared with the cotton operatives in Silesia, earning 7d. an hour in the case of adults and 5½d. in the case of "helpers" aged 25 years, the workers at Jena are aristocrats indeed. For when a whole nation is near the borderline which separates comfort and privation, a matter of an extra penny an hour means, all too often, the difference between sufficiency and hunger.

Throughout German industry, wage rates have been reduced by government decree to the level of 1926, an *average* reduction of about 15 per cent. This involves or would involve, were German industry working full time, a greater reduction than the figure suggests, for during the same ten years rationalisation has increased the productive capacity of German industry by from 25 to 35 per cent. Any

advantages which the German workers might have gained from this " speed up " of industry has been nullified by the downward trend of wages, which according to Herr Fürtwängler, a leader of the powerful Free Trade Union group, " has left the workers of Germany no better off than they were in 1914 ".

What these reductions mean may be seen more clearly by consideration of the latest figures available (those for January, 1932) in a group of typical industries. These wages are, in every case, the best paid in the particular occupation concerned.

The earnings of masons fell from 1/3d. an hour in December, 1929, to a fraction less than 1/1d. in January, 1932. Those of skilled steel workers from 11¼d. in 1929 to 9d. in 1932. Operatives in the shoe industry from 11d. an hour to 9d.; of bakers from 1/1d. to 11d.; of railway workers, on average, from 10d. an hour to 8½d. in the skilled grades, and from 8d. to 6½d. in the unskilled grades.[1]

Few trades in Germany have felt the depression more severely than those connected with public and private building. During the years immediately following the war, Germany invested a large amount of capital in building operations. This capital expenditure was distributed equally between houses, public buildings and industrial works. The total amount of money spent on all three classes of property was 3½ milliards of Reichmarks in 1924, 8 milliards in 1929, and 4 milliards in 1931, in each year one-third of the sums available being expended on each class of buildings.

The fall in the capital sum invested in new building operations between 1929 and 1931 speaks for itself. By 1931 the financial difficulties of the municipalities had produced a

[1] In an attempt to reduce unemployment, German employers were authorised, under the terms of the Emergency Decree of September 5th, 1932, and under certain conditions, to reduce basic wage rates up to a further 12½ per cent where the number of persons employed was increased by up to 25 per cent. The first attempts to apply this part of the Von Papen economic programme met with strenuous resistance from the workers affected, culminating in strikes which only ended when the proposed wage reductions had been cancelled.

crisis in the building trade which has since become more acute, and affected a growing number of workers. The grant of public money for building in 1932 will not exceed 50 million Reichmarks, and may total only 30 millions. In addition to this severe contraction in the amount of public money available for subsidising the erection of building private dwellings, the special decree of October 6, 1931, prohibited entirely the erection of buildings for public administration or court purposes up to March 31, 1934.

As in Great Britain, the textile industry provides employment for a large body of workers, numbering 948,000 before the slump, or 11 per cent of all industrial workers in Germany.

Of this number, 245,477 were totally unemployed on July 31, 1932, and 45 per cent of the remainder were working short time. The balance, numbering approximately 400,000, were still in full-time employment.

Conditions in the industry differ between one district and another, and even between one mill and another in the same town. In Saxony, in September, 1932, some mills were dismissing further workers while others were working full time and a few, fortunate enough to have secured special orders, were working double shifts. During a week when the famous carpet factory at Wurzen was dismissing workers, a factory in the same district, manufacturing "oriental" carpets, was engaging additional hands. The same variation exists in Silesia, where the linen and cotton mills have been badly hit, but the wool factories are reporting an increase in orders.

The highest paid weavers in Germany in 1932 were the velvet weavers in the Krefeld district, earning 9d. an hour. In this area helpers of 14 years of age were being paid 2d. an hour, and "improvers," at the age of 25 years, 6d. an hour.

Wages of silk weavers in Wurttemburg were 8½d. an hour, while boy-labour received 3d. an hour.

Assuming that some of those Krefeld weavers were working a 48-hour week, their wage amounted to the sum of 35/–, while a man aged 25 years earned about 24/–. But the

majority were, I found, working not more than 3 days in each week, and to arrive at the earnings of this group it is necessary to halve those figures.

From the Christian Trades Unions I secured figures concerning the wages earned in the tobacco industry, in Germany as elsewhere one of the occupations least affected by the depression. Every year, in order to discover actual earnings, the Central Union of Christian Tobacco Workers carries out a test investigation, the last occasion covering the period from June 6 to 18, 1932, and embracing 88 factories and 2300 workers.

The wages revealed by the report subsequently published varied between 5d. and 3d. an hour. The average for the 88 works was 3½d. per hour, or something less than 12/6 for a 48-hour week. And these are gross-wages, subject to deductions for social insurance and special taxes.

On that wage, the workers are living on bread and potatoes —and not too much bread. Clothing, shoes and other "luxuries" are quite beyond their reach. Yet since the enquiry was carried out, a further wage reduction has been enforced, taking effect on August 1, 1932, and amounting in some groups of workers to ½d. an hour.

The comment made by the Christian Trades Unions on these figures is that "to understand the increase in Communist votes revealed by the General Election figures one should remember these wage rates."

It was the avowed intention of Dr. Bruning's government, when decreeing the wage "cuts" mentioned, to reduce the cost of living by a corresponding amount, and this goal was, in fact, nearly achieved, for the cost of living, as shown in the official index figures, fell from 138 per cent of the pre-war figure in June, 1931, to 121 per cent in July, 1932.

The truth concerning Germany's employed workers would seem to be that wages there were never raised to a level corresponding to the increases recorded in Britain, and there existed, therefore, less scope for spectacular reductions when the profits of Germany's great industries vanished

before the oncoming crisis. Given a full working week, and despite heavy taxation beginning at a very low scale of income, the workers of Germany could still live at approximately the 1914 level. What makes such an observation barren is the fact that about 26 per cent of all workers still employed are working only three or four days a week—and upon that same level of wages a short-time week means too often hunger and the necessity of accepting municipal relief in order to live at all.[1]

With 44 workers out of every 100 totally unemployed, and another 26 on short time, it is not so very strange if some have listened to the fulsome promises of a new world made by Germany's queerly assorted "extremist twins"—Adolf Hitler and Thalmann, the former Hamburg docker who won his spurs as leader of a revolutionary movement among the seamen of that port in 1920 and is to-day the leader of the German Communist Party and the would-be Lenin of Potsdam.

It is simple enough to dismiss Hitler as a charlatan. His own speeches supply abandant material for such a purpose. The Nazi movement bears a close resemblance to Fascism in its early days—the Nazi "storm detachments" taking the place of the Fascist "squadristi". And evidence is not wanting that certain German industrialists and financiers are not unfriendly to the Nazis, seeing in them a weapon for smashing the power of "Marxism"—otherwise the Socialists and Trades Unionists who played a prominent part in founding the German republic and have since been its staunchest supporters. Even so did Fascism develop from a movement of the dispossessed to the instrument of a section of the possessing classes in Italy.

But the significance of Hitler, with his atavistic creed of

[1] On July 31, 1932, 35 per cent of miners were working short time, 23 per cent of workers in the glass and porcelain industry, 28 per cent in iron and steel industry, 33 per cent in the chemical industry, 45 per cent in textile industry, 31 per cent in food trades, 32 per cent in paper-making industry, and about 22 per cent in other trades. The average number of workers on short time throughout German industry at that date was 26 per cent.

massacring the Jews, hanging the " November criminals " (the leaders of the revolution of 1918) and denouncing—in non-Catholic regions—the " Black Pest ", together with such items as the abolition of all unemployment pay and doles, the sweeping away of all social services and the suppression of the trade unions, is too great to be thus dismissed with derision.

Adolf Hitler to-day speaks for only a fraction less than 38 per cent of the entire German electorate. Many of the youths too young to possess the vote are on his side. Ten years ago his party numbered less than two hundred members. To-day it can count upon thirteen millions votes in a general election. Yet, but for the slump, Hitler might still be counting his followers in thousands instead of millions. The slump and the Treaty of Versailles !

Hitler mirrors the thoughts of that growing number of Germans who were too young to fight in the war, and object to being placed in a position of permanent tutelage as the result of the peace settlement. He mirrors, too, the hopes of those other millions who have known Germany great, have seen her in defeat, and believe implicitly that this Austrian spell-binder can, given the opportunity, raise their country to greatness again by removing the shackles which " the Treaty " imposed upon her.

But over and above all these considerations, and they are powerful considerations in a nation suffering from an " inferiority complex ", Hitler promises a better world to the hungry millions. To-day the Nazi soup kitchens are supplementing the meagre relief allowances of the few—to-morrow, according to Hitler, if only he were given the power, he would banish poverty, and unemployment and the shame of defeat, and place Germany resurgent in the forefront of the industrial nations of the world.

The mass consciousness of a nation is stronger than facts ; the slump swung Germany, psychologically, over to the extremists. It proved Hitler's greatest ally. " If Hitler had not appeared," said a trade union leader to me in Berlin,

" we should have had to advertise for him to save the soul of Germany ". That is true. At a time when adverse circumstance has crushed the spirits of many German Socialists and Communists, and reduced millions of her workers to a degree of wretchedness when they have not the spirit left to protest against their poverty, the Nazis alone have retained their fierce faith in a glorious to-morrow. They may be, and some certainly are, arrogant, uncouth terrorists. But they, and their followers among the masses, at least believe that all this privation can be swept away. Whether they could improve matters, given the opportunity, is open to dispute. What matters, to a nation which is suffering as Germany is suffering, is their belief that they have the panacea which will restore their nation to health and greatness. Were the Hitlerite legions to disappear to-morrow, Adolf Hitler could at least claim to have done this—he has given Germany back her soul.

There is one German trade union leader—a member of the Social Democratic Party—who has been dubbed " the Hitler Boy " because he has studiously refrained from denouncing Hitler on the platform or with his pen. I asked him the reason for this forbearance towards a political rival.

" The reason," he answered, " is that I am a German first, last and all the time. There are plenty of statements made by Nazi speakers with which I disagree. But that fact is not as important as the part which Hitler has played in keeping alive the soul of my country in the hour of her greatest trial."

He picked up a newspaper.

" Look at these election results. They show that nearly one voter out of every two in all Germany voted for Hitler. Yet some people still declare that the Hitlerites are the riff-raff of Germany. Am I to stand up on a public platform and declare that half the voters of my country are scum ? "

" I believe," he added, " that Hitler, in spite of his wild speeches and not because of them, has enabled Germany to find her soul again after defeat. He is an instrument in our

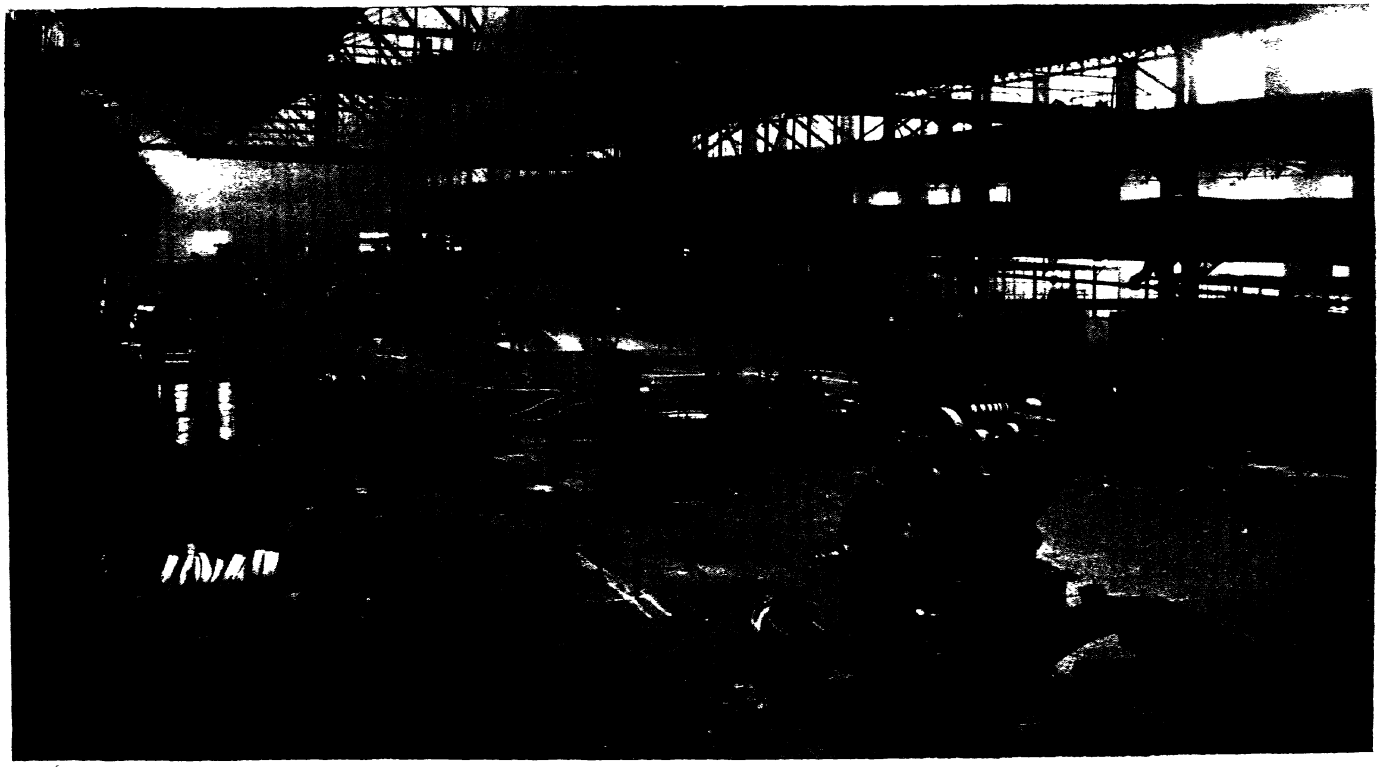
national destiny. I believe also that if he comes to power he will forget many of the things he has said in his wilder moments."

The first statement is, from my observation, true. The second will probably never be tested. For unless the strain upon Germany becomes greater, and continues for longer than present indications suggest, it is probable that power will elude this demagogue. In that case history will record that the man who saved Germany from Hitler was the Right Honourable James Ramsay MacDonald, Prime Minister of Great Britain, and the date when the Hitler tide began to turn, July 31, 1932, the day on which was signed the Lausanne Agreement which robbed Germany's "Ku-Klux-Klan" leader of his chief battle-cry—"Down with Reparations".

There are other shots in the Hitlerite locker—the Polish "corridor", equality of status in armaments, the Jews, the war-guilt clause in the Treaty, and the rest. Some of them questions on which many Germans feel strongly. But upon none of them is the whole of Germany united one hundred per cent as it was united in denouncing the Young Plan and proclaiming that reparation payments must be wiped out.

Facing the massed ranks of Hitlerism across the political gulf occupied by the moderate parties stand the forces of Communism—the party of the unemployed and hungry. If Moscow schooled its leaders, it was the economic distress which provided it with a rank and file strong enough to muster over 5,000,000 votes in the General Election of July, 1932.

The extremist psychology was strongly in evidence in Germany during the days immediately following defeat. Then Communism was strong enough to raise the banner of open revolt in several areas of Germany and to defy the State forces for days and even weeks. With the passing of that phase and the return to settled government, the barometer of German Communism became the barometer of industrial and social conditions. When Germany's economic and political



THE SLUMP REACHES SIEMENSTADT

One of the half-deserted workshops in the greatest electrical equipment factory in Germany.

SOUP FOR THE SIEMENS UNEMPLOYED WORKERS

Unloading churns of soup at a branch of Siemens staff stores while the queue of unemployed electrical workers looks on and–

assistants issuing the daily ration of a litre for each member of the family, at one penny per litre.

position was most difficult, the Communist vote reflected the resultant hardship. When there was a gleam of light in the industrial sky, bringing the hope of better times, the ranks of the " Reds " began to thin. To-day, despite hints of a " Red peril " in government pronouncements, no one any longer believes that Communism is a menace to the internal peace of Germany. No one, that is, except some of the Communists themselves.

In Berlin I talked with a Communist " intellectual " who is the editor of one of the party newspapers. Courteous, widely-travelled and cultured, he discussed the state of Europe to-day, and the international trade crisis, with shrewdness and understanding. Only when we came to consider the future prospects of the Communist party did his sense of proportion vanish.

German Communism, he assured me, had not always been right in its strategic methods. It had, for instance, attempted to form a " revolutionary trade union opposition " to the existing Socialist unions, thereby sacrificing the greater opportunity of forming Communist " cells " in the existing unions and winning over the whole German proletariat by peaceful penetration. The result of that strategic blunder had been a closing of the Socialist ranks against the Communists, and the failure of many industrial stoppages called by the Communists to which only a handful of workers responded.

That error of judgment, I gathered, was to be remedied. From now on, the Communists intend to establish closer contact with the Socialist " masses ".

The party, continued my informant, had not grown in numbers since 1924—only in votes, which to a Communist is not quite the same thing. Because in a revolution disciplined party members, sworn to die on the barricades, are more important than voters who may " rat " if asked to put their convictions to the test of direct action.

Behind Thalmann to-day stand 250,000 party members, maybe half of whom could be relied upon to respond to a call

to action, and 5,500,000 Communist votes. The majority of those are "slump" votes, cast for Communism by unemployed workers who are hungry. A swing of the industrial pendulum which reduced those unemployment figures, and a large section of that Communist legion would discover that they were no longer Communists.

The Communist leaders know this. They do not rely upon their voting strength for anything further than the power, by virtue of their Communist members of the Reichstag, to influence the parliamentary situation. What that tactical position is worth was shown by the dissolution of the newly-elected Reichstag (which contained 89 Communist members) on September 19, immediately before that body registered on a motion moved by a Communist, and by an overwhelming majority, its vote against the Von Papen Administration. The German Cabinet, possessing the confidence of the President, survived this "mass attack" in which all German political parties except the Nationalists joined forces. It was the Reichstag, intrepid enough to challenge an emergency decree authorised by President Hindenburg, which died.

"Popular opinion in Germany has swung over to the Nazi movement," admitted the Communist editor. "The majority of our workmen, shopkeepers and petty officials are still afraid of a revolution and would prefer to bring about an improvement in the internal situation without destroying the capitalist structure of the country. They lack a true revolutionary mentality."

I enquired how, in view of his admission that with twenty millions hungry the revolutionary spirit was still absent, the party could hope to attain power within any measurable distance of time.

"Lenin seized Russia with sixteen thousand disciplined men," he answered. "We have nearly ten times that number. At the right moment, when at last the German working classes realise that capitalism has nothing to offer them, our 150,000 men of the 'Red Front,' reinforced by disillusioned

Nazis, will be in a position to assume control of the country, and to utilise the industrial equipment for providing the masses with the means of civilised life."

The reply is interesting, for it shows once more how Communists the world over are obsessed with the idea, demonstrably false, that what was possible in Russia is equally possible in other countries where exist totally different political and social conditions.

What hope would Lenin's "Red Guard" have had of success had they been opposed, not by a weak and vacillating Prime Minister and an army demoralised and intent only upon returning to their homes, but by the Reichwehr, disciplined in accordance with the code of the old German army, the armed police, and Hitler's "hundred thousand" storm troops, only too anxious to "clear the streets of the Marxist scum"?

Somewhere in the archives of Moscow—if the document has not been burnt in disgust—is a report from Berlin showing the degree of privation which the German masses must endure before the proletarians of that land would rise in their might and proclaim their adherence to the Soviet State. I do not know the "hunger figure" named in that document, but I am prepared to state that it has been vastly exceeded in the Germany of to-day. Yet nothing has happened except a slight rise in the Communist vote! The hopes of the Communists have been wrecked on the twin rocks of Hitlerism and the iron discipline of the trade unions and the Social Democratic Party. The German workers have not deserted their allegiance to Socialism. They have lost faith in many things since the slump began—and included in the list is any faith they may have had in short cuts to the millenium.

The tangled web of German politics makes any prophecy concerning the future dangerous, but before bidding farewell to that friendly Communist editor I ventured to make two prophecies regarding the future hopes of Communism in Germany.

The first was that if, and when, the Red " bogy " becomes something more than the mere bogy which it is at present, Thalmann will have to rely upon his 150,000 " Red Front " troops to conquer a nation of sixty-three millions of people, the vast majority strongly adverse to any closer bonds with Russia than are implied in manufacturing machinery for the Five Year Plan.

And the second was that if the Communist leaders were sufficiently misguided to force the issue to a decision, the Nazi " storm troops ", their hatred for the " Reds " allowed full play for the first time, would destroy Communism within one week in a second St. Bartholomew's Day massacre.

The polite editor smiled his disbelief. It was evident that I did not realise what faith can achieve.

On my way back to the centre of Berlin I witnessed an incident which suggested that in a modern organised state faith has its limitations.

It was 4.30 in the afternoon, and the scene was one of the busiest streets in the city. A uniformed Nazi was walking just ahead of me. As he passed an underground station two figures leapt from the shadows on to the back of the Hitlerite and bore him to the ground. They were Communists, settling, perhaps, some personal feud, but more likely continuing the civil war between the two forces which has produced so long a casualty list in recent months.

What might have happened I do not know. Happily two Berlin policemen were directing the traffic close by. In a matter of seconds they had joined in the melée, the Communists had been separated from their quarry, and were marched off.

The Hitlerite rose, dusted his uniform and strolled nonchalantly on as though nothing had happened. Apart from stepping aside to allow the combatants space, the crowds had taken little notice of the incident. Within five minutes the street was as peaceful as it had been before. Nobody seemed to bother about an occurrence which would have provided headlines in the British newspapers. For that incident

was, at that time, being repeated in Berlin a dozen times a day.

If the Communists stage a revolution, the same thing would happen—on a vastly larger scale admittedly, but with the same sure result. For when popular opinion swung from one extreme to the other—from the sickle and hammer to the Nazi swastika—whatever chance Herr Thalmann had of succeeding the " alter Herr ", Marshal Hindenburg, as the supreme ruler of Germany, disappeared for all time.

Unless, that is, the governments of the world were so incredibly stupid as to abandon Germany to her fate, and watch those hungry millions grow in numbers and in despair. If that happened, and Adolf Hitler proved a windbag and nothing more, then Communism might win on despair. And Europe would deserve all that followed.

CHAPTER V

THE OTHER BERLIN

WITHIN four miles of those workless homes where hunger hides itself from the public gaze, I found the other Berlin. It would be difficult to discover a greater contrast than is presented by the distress existing in the working class districts of Berlin, on the one hand, and Siemenstadt on the other.

The mighty Siemens Electrical Equipment works—a city within a city—represented in normal times the perfect manifestation of Germany's industrial might. Standing on the roof of the Switch block, 187 metres long and twelve storeys high, a single building, out of dozens, forming that one plant, I surveyed the works, stretching away to the distance in every direction, which form the greatest factory of its type in the world.

Founded in 1847 with twelve workers, the Siemens plants and branch establishments provided employment for 130,000 skilled workers before the slump slowed down the wheels of the machines which are creating the electric age. In 1929, the annual turnover of Siemens and Halske and Siemens and Schukert, the two companies forming the Siemens group, had reached the stupendous total of 850 millions of marks—say £42,500,000. To-day orders are scarce, but this perfectly organised plant remains still one of the most prosperous firms in all Germany. At this self-contained industrial city I saw activity enough to show something of what Germany had been yesterday—and what she will be again to-morrow.

Those great twelve-storeyed workshops, each large enough to form an entire plant in itself, represent modern large-scale industry organised to the highest possible pitch of efficiency. The use of electricity throughout the entire works, the automatic opening and closing of windows according to the temperature, the railway sidings running through the workshops so that goods could be loaded at the very spot where their manufacture was completed, the electric trolley service

running through all departments on an exact timetable like trains, down to the washing department for the workers—where every man had a separate wash-basin and a separate locker for his outdoor clothes—every detail of Siemenstadt breathes the very spirit of organisation worked out to the minutest detail.

It would have taken two days just to walk through all the departments of that amazing plant, created by the brains of electrical engineers and inventors, which is still manufacturing for half the countries of the world.

If any factory in Europe could escape the strangle-hold of the slump, then surely it is Siemenstadt, manufacturing products for which there is an increasing demand and representing the supreme achievement of the mass production age.

Siemenstadt has escaped—up to a point. It represents a handful of German plants in which work is still maintained—up to a point. Compared with the Hamburg shipyards, or the German textile industry, Siemens is flourishing. Compared with its own past, it has problems enough.

The profits of the two Siemens firms reflect those problems. The dividend paid by Siemens & Halske has dropped from 14 per cent in the year 1928–29 to 9 per cent in 1930–31, and that declared by Siemens and Schuckert from 10 per cent in the former year to nothing in 1931.

Siemens army of workers and employees at all works, offices, and connected branches, both in Germany and abroad, has declined from 130,000 in July, 1928, to 114,000 in the same month of 1930, and to 75,000 in July, 1932. Of that last figure 35,417 were working at Siemenstadt, the great Berlin plant, compared with 66,493 in 1928.

The effects of the slump upon this highly organised industry are revealed in an even more lurid light if the statistics for the country as a whole are examined.

Germany's exports of electrical products have declined by half since 1930. To quote specimen items, exports of cables and wires are down by 65 per cent, of radio apparatus by

about 35 per cent, of electric lamps by 75 per cent, of machinery by 25 per cent. And the decline goes on. The percentage of workers employed in the industry as a whole in May, 1931, was 55.8 per cent of the number needed when all factories are working to capacity. A year later, in May, 1932, the number employed had dropped to 40 per cent of capacity.

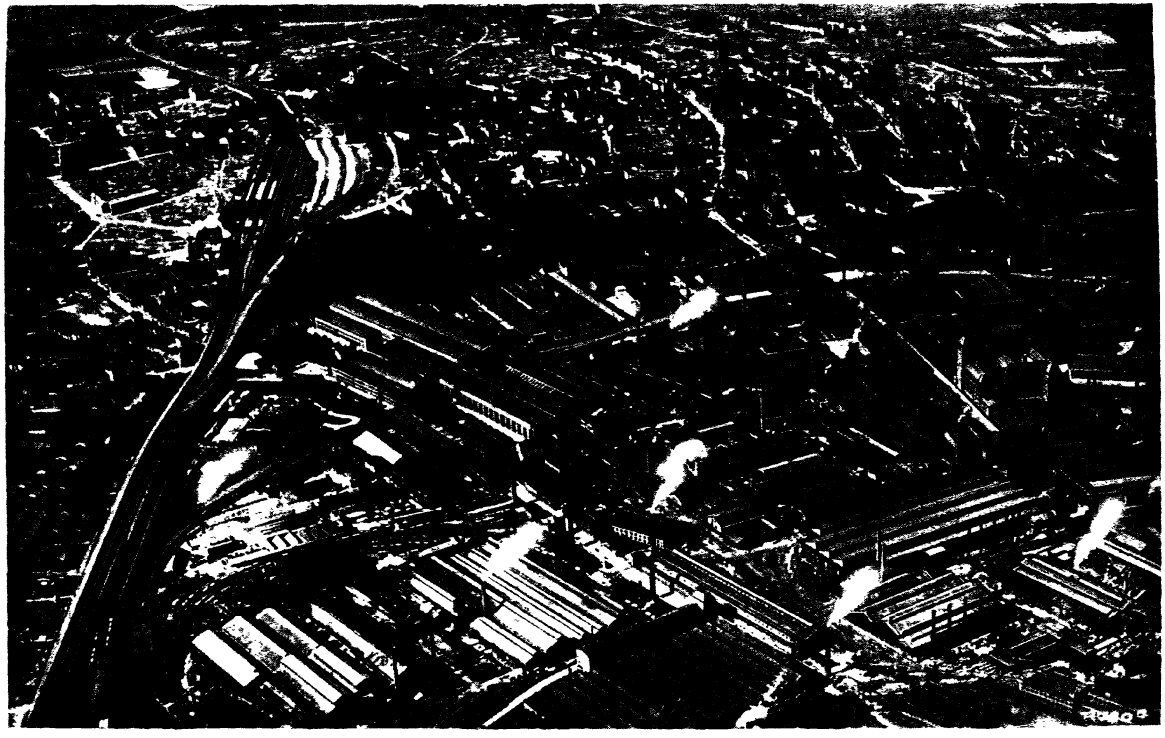
In the face of these figures there can be no doubt about the effects of the world depression upon the German electrical industry as a whole, or upon Siemenstadt, its most important unit. That industry can still provide work for 64 per cent of its workpeople, but the prevalence of short time has reduced the total number of hours worked throughout the country to 28 per cent of the pre-slump figure !

The first fact which I discovered at Siemenstadt with a bearing upon those " slump statistics " was that the working week of the 35,000 men and women still employed at that plant has been cut down from 42 to 35 hours.

The second glimpse of the slump came when I entered the department where work the firm's draughtsmen, designing the machinery which later finds its way to every nation from China to Chile. There were places in that long room for 250 specialists—half those places were enpty. Yet nearly every order has its birth in the blue prints prepared in that room. Busy days for designers of electrical machinery means plenty of work for the skilled men who carry out their plans. Half empty, that room reflected faithfully the deserted working places in the miles of departments of Siemenstadt.

In the switch department, where are manufactured the high-tension switches which are among the specialised products of this firm, the number of workers has fallen from 6000 to 1500.

I passed on to the dispatch department, where a crane carrying five cases of electrical machinery to a waiting goods truck was stopped so that I might note the addresses on them. Those cases were going to Rotterdam, Sofia, Stockholm, Batavia and—Soviet Russia ! I thought of the growing number of nations where foreign purchases are subject to the



THE KINGDOM OF STEEL

An aerial view of one section of the famous Krupp steel works at Essen.

WHERE ESSEN EARNS ITS DAILY BREAD

—or did until the slump reduced German steel production to 20 per cent of the normal. A general view of one department at the Krupp works.

strict control of the governments, where a manufacturer or a municipal authority may need machinery badly but cannot get the money to pay for it.

Those addresses explained more clearly than would anything I could write why it is that bad times at one end of the world mean men thrown out of work ten thousand miles away. Because Chile is faced with a bankrupt nitrate industry and cannot buy generators, many of the skilled engineers formerly employed at Siemens are drawing emergency soup rations at the relief kitchens established by the firm for their own unemployed.

At those kitchens a pint of nourishing soup costs one penny. An unemployed worker of the firm may draw up to one pint for each member of his family at that price. I stood outside one of the Siemens staff stores and watched the workless arriving on bicycles, armed with every description of pail to draw their rations. Very different, these quiet, well-dressed workers, from those unemployed I had seen in other working class districts of Berlin. Yet all had been idle for over twelve months, and many had cycled for two hours to receive that ration of soup.

I took my place in the queue with them, drew my pint of rice soup, and afterwards sampled it on the pavement outside with others from the queue. It was good soup, and after tasting it, I did not doubt the information given to me that the firm was dispensing over 22,000 pints of it a day at a cost, over and above the small sum paid by the workless, of about 10,000 Reichmarks a month. This distribution of soup was originally inaugurated during the winter of 1931 to supplement the very modest doles received by the firm's workless. It was to have been discontinued in the summer. But the summer found distress growing and work as far off as ever. Therefore the daily queues still gather at the Siemens stores, and some thousands of workers formerly on the Siemens pay-roll still obtain enough soup for two meals for a penny.

Of the 55,000 men and women for whom work is still

available, 95 per cent are working a short-time week of from 32 to 36 hours. Their earnings vary from 1/– an hour for skilled workers to 9d. an hour for machine-minders and 8d. for unskilled men. Over the whole works the average wage works out at 10d. per hour for men and 6½d. for women. Multiply those figures by an average week of 35 hours, and it will be seen that these workers in one of Germany's most prosperous and skilled industries, are earning 30/– per week for men and 18/6 for women !

Money wages, alone, however, do not furnish a complete picture of the conditions of living enjoyed—and I write "enjoyed" advisedly—by those fortunate enough to find employment in this great plant. At Siemenstadt I saw abundant evidence that the workers of the firm enjoy facilities beyond the reach of the vast majority of workers in Germany or anywhere else, if one excepts similar great industrial organisations such as Unilever, Imperial Chemical Industries, and Cadburys in England, Bata in Czechoslovakia and Krupps at Essen. The remarkable system for controlling industrial relations, and the extended system of social amenities developed at Siemenstadt have become a pattern both within Germany and without, and were recently the subject of a report issued by the International Labour Office.[1] Those social services may, indeed, be described as the most interesting side of Siemenstadt.

An appreciable proportion of the 6000 office employees at Siemenstadt reside in the housing estates erected in the vicinity of the factory with capital subscribed by the firm.

The rents charged for these houses and flats, situated in garden cities, average 14/6 a week for one room and kitchen, occupying a floor space of 56 square metres ; 25/– a week for two rooms and kitchen, covering 80 square metres ; and 40/– a week for four rooms and kitchen. All the apartments are of the most modern construction and equipped with electric

[1] *Studies on Industrial Relations.* Studies and Reports Series A, No. 33. International Labour Office, 5/–.

light, and, in many cases, electric cooking and heating appliances.

In an effort to alleviate the hardships which the slump is imposing upon the men working short time, and at the same time mitigate to a small extent the widespread unemployment among building workers in Berlin, Siemens have embarked upon a further building scheme on land owned by the firm at Staaken, about fifteen minutes by rail from the factory.

Here a group of the firms' workers are assisting to build their own homes under the supervision of experts. Each house is built from materials purchased by Siemens at the lowest prices, by "gangs" comprised of one Siemens building expert, 4 qualified building trade unionists, and the short-time electrical workers themselves.

The homes comprise three bedrooms, sitting-room and kitchen, and by virtue of low costs for materials, the expenditure per house has been kept down to £175. This sum is provided in each case by a State loan amounting to £125, plus £25 paid by the Siemens works. The balance of £25 represents the value of the work carried out without cost by the workers themselves.

The arrangements for the payment of interest on the State loan and the repayment of the capital sum, provide for an ascending scale of payments by each tenant.

For the year 1933 the worker pays 1/6 per week, and from 1934 to 1936 2/6 to 3/- a week, these sums representing rent for the leasehold and interest only. From January 1, 1937, the house becomes the property of the tenant, subject to repayment of the State mortgage. Each tenant will then have the alternative of paying off the mortgage in one sum, or repaying it in annual instalments representing 5 per cent of the total amount, over a period of forty years. In this case the combined payment for principal and interest will amount to 4/- a week, from 1937 to 1977.

At the time I visited the new estate, 120 houses were nearing completion. During the period of building Siemens pay the

fares of all workers actually assisting in the task of erection between the factory and the estate, and, further, supply three meals a day to all men employed on the scheme.

The extensive system of compulsory social insurance in Germany is, of course, applied to the two firms forming the Siemens group. This system includes workmen's compensation for accidents, unemployment insurance, invalidity insurance, sickness insurance and salaried employees' insurance. The Siemens sickness insurance fund is the largest industrial works sickness fund in Germany. It is administered by a chairman and fifty representatives of the workers, drawn from the various trade union groups.

Now in its twenty-fourth year of existence, the benefits provided by the fund are more generous than those decreed by law, sickness benefit being paid at the rate of 50 per cent of the basic wage, while married men and those with dependents receive 60 per cent of the basic wage from the fourth week of incapacity. Medical attendance is provided free, and both this and the cash benefits continue for 52 weeks in the event of incapacity lasting for that time.

A system of end-of-year bonuses instituted at the Siemens works over fifty years ago has to-day merely an academic interest. The principle of the system is that when a dividend of at least 6 per cent is paid by the firm on the ordinary shares, the Board decides on a proportion of the net surplus profits to be distributed to all workers having more than eight years' continuous service with the firm. This bonus, for the 1928–29 period, varied from £3 to £10 for the year, according to the category of the worker, and it was paid in respect of the 1928–29 period to 23 per cent of the total wage-earning staff and 33 per cent of the salaried employees of the firm. For the year 1930–31, a year of fast declining profits, the bonus paid averaged 31/– to salaried employees and 22/– to workers.

That bonus payment, indeed, might be taken as another barometer indicating the industrial temperature of Germany, for when it is restored to the 1928 figure, then assuredly the

workers of Siemenstadt may tell each other that the world slump is over, and brighter days are ahead.

If the bonus payments are reduced, the fortunate workers in that plant are nearer to the Socialist editor's ideal of one real meal a day for everyone than are most of German workers.

Canteens have been established in all departments, where hot midday meals are provided, consisting of one hot main course, with such subsidiary courses as each individual may select.

I sampled the meal which four hundred workers were eating in one of the many canteens. The main course consisted of braised veal with two vegetables. The cost was 6d. I followed this with fruit compôte, bread and cheese and coffee, costing another 5d. Rather dearer than that meal I had eaten with the Hamburg unemployed, but nevertheless well below cost, the firm contributing an average of 3d. per meal. Similar meals are provided for the 44 per cent of the salaried staff who avail themselves of the canteens, the charges being slightly above those in the workers' mess-rooms.

Only about 18 per cent of the workers take their midday meal in these canteens, even in normal times, the low proportion being probably due to the fact that working hours in a full week are from 6 a.m. to 3 p.m., and also affected by the habit of the Berlin worker to confine the midday meal to bread and sausage.

One further special facility provided by the firm, needs to be mentioned as vitally affecting the standard of living of the Siemens workers, more particularly when bad trade curtails money earnings. This is the Siemens staff stores which supply employees with food and provisions at prices approximately 10 per cent below the prevailing retail charges. Messengers are employed—one for every two hundred workers—to collect orders for these stores and deliver the goods to the workman at his place in the works. The foodstuffs chiefly bought are bread and sausage—as evidence of the popularity of the latter article of diet among Berlin workmen it may be

mentioned that at the special butcher's shop maintained by the firm, over fifty different varieties of sausage are made.

The total cost of all the social and welfare services provided by the firm in a normal year, including the social charges for unemployment and sickness insurance imposed by legislation, amounts to over £1,300,000.

For the moment all those services—restaurants, rest-homes, welfare centres, sports grounds, bathing establishments, libraries, and the rest—are still available. Like the giant Siemens plant itself, they remain, after two years of depression, as evidence of German thoroughness, of what German organisation is capable of achieving, given only the two things necessary—work and money. But the richest firm cannot stand such a strain indefinitely, and sooner or later, if no improvement comes, those empty working-places in the departments must be reflected in the social life of the factory. Already each worker, when he has completed one piece of work, wonders whether there will be another for him, and that little black windowless testing-room, with its giant switches capable of sustaining an electric current of 175,000 volts—and looking like the dream of some mad inventor—stands idle because the peasants of Europe have no money, or because some foreign government cannot finance an electrification scheme it is only too anxious to begin.

In only one corner of that vast organisation has no hint of the slump been allowed to penetrate. This is the crèche, where married women workers leave their babies while employed at the factory.

I have visited crèches in many lands, and all of them—including the crèche maintained by the Soviet Government for the use of women laundry workers at Moscow—were scrupulously clean. But this German crèche was the cleanest building I have ever entered. The floors were polished to a degree which made it seem a sin to walk on them. Tables, chairs, windows—everything connected with that building typified the science of hygiene.

In a semi-darkened room sixty infants under four years of age were sleeping (while a single nurse watched over them) arranged in rows upon beds.

Later I saw those same infants go to tea, and sort themselves unerringly into their correct seats by reason of the fact that each child wore an overall of a different colour corresponding to the colour of the plate and cup at her place at the tables.

The same method was in use in the washing-room, where each child had her own basin, glass, tooth brush and towel. Here signs placed beside each basin—a snail, a ball, cherries, teddy bear and so on—enabled the youngsters to select the correct washing-place without any assistance from the nurses.

Small things, but typical of the truly remarkable organisation of the industrial world of Siemenstadt. To-day the Siemens works, with more than half their workers idle, reflect the severe contraction in the total volume of world trade. Those vanished orders mean a lessened demand for raw materials and half-manufactured goods from other countries, and reduced purchasing power for the army of workers which damages not only German trade, but world trade also. Yet, despite the slump, despite the empty working places, that vast organisation justifies the opinion that whatever form political developments in Berlin may take—whether the future rulers of that country are monarchist, republican, Nazi, or Communist—Germany will remain the most powerfully industrialised nation in Europe for a century to come.

CHAPTER VI

THE TWILIGHT OF THE BOURGEOISIE

THE plight of the German middle class to-day is little realised outside the frontiers of that country. They have not been "wiped out", as some superficial observers have put it; they have been dispossessed. They have suffered under no major political transformation, yet the events of the last years have transformed their condition and prospects almost as completely as any Communist dictatorship. They are, in short, being proletarianised both swiftly and surely.

In considering the effects of this social revolution, it must be remembered that the middle class in Germany never achieved that measure of security which is the hall-mark of the same class in Britain. When the sons of that English middle class which sprang from commercial success in the early part of the nineteenth century were at the public schools, completing the education which would fit them for their destined rôle in life, the Germans were crushed with the poverty which lingered after the Napoleonic wars. Not until after 1860 did any big development in trade, and consequently in the wealth of the business and professional classes, take place.

The German middle class, therefore, was not old enough or strong enough or solid enough to bear the blows brought by the war and its aftermath. First came the rise in prices and the loss of capital invested in Russia and the Balkans. In 1922–1924 the inflation followed, nearly wiping out the *rentier* class, for by this device the State was able to repudiate all its debts. The average German professional man of means had invested largely in German State loans or had been compelled during the war to transfer his foreign investments to the Government. When the mark was stabilised in 1924, those who owned investments in German State loans received 15 per cent down; the rest had vanished.

This staggering loss, the experience of tens of thousands of German middle-class families who had seemed so secure

in 1914, was undoubtedly responsible for the thriftlessness which was a feature of German life before the oncoming slump made even thriftlessness impossible. "I've been caught once," remarked a German civil servant to me bitterly. "Now I take good care to spend every pfennig of my pension as soon as I get it—and I advise my children not to save either."

Thus have the younger generation for the most part grown up with nothing to inherit—except that feeling of insecurity which distinguishes the working from the middle class in other lands.

A few middle-class families were able to use the opportunities brought by the mirage period of 1924–1929; some even achieved a new commercial prosperity. That a goodly proportion had money to save—and did save it—is evidenced by the records of the Savings Banks. In 1924 these contained 24½ milliard marks; by the end of May, 1928, deposits had risen to 5780 milliards, by 1929 to 9016 milliards, reaching their peak figure of 11,225 milliards in May, 1931, the month of the great Austrian collapse. By June, 1932, the figure had dropped again to 9800 milliards; this may have been due to the bank scare of July, 1931, or to withdrawals to pay the enormous demands of direct taxation, partly necessitated by the 5½ million registered unemployed.

It must be remembered, moreover, that these figures represent the savings not only of the middle class, but also of the working classes.

Those savings represent one side of the picture. What of the other? I observed that in the German cities which I visited as many beggars—obviously decent respectable men—pleaded that they were *stellunglos* (unemployed clerks) as *arbeitslos* (unemployed workmen). This fact is due partly to the vast economic reorganisation of those five years before 1929, when large scale distributing stores and other commercial organisations sprang up in such exuberance. Socialist activity made an enlarged administration necessary, and the impoverished middle class flooded into the shops and offices

until the number of *Angestellten* (i.e. the black-coated workers) rose to 3,500,000, no less than one-third of the number of organised workers.

The salaries paid to these people were much the same as those of domestic servants, when board and lodging were deducted. Thus economically they became proletarians,[1] dependent solely upon their earnings and the continuation of good times.

Even civil servants—and this involves a far higher percentage of the population than in England—having lost their savings, fell into essentially the same economic status. The security of their employment depended upon the solvency of the State; when the slump destroyed this in 1931 and the direction of the State fell into different hands in 1932, many of these officials were mercilessly dismissed, to struggle for employment as well as they might.

The consequences for what we may call " the intelligentsia " of the boom-to-slump period were equally catastrophic, for the expansion had caused a tremendous influx into the professions. The rationalised industries offered scope for scientific research workers; the new public buildings, flats, hotels and cinemas being rushed into existence, demanded fresh architectural blood; the new technical possibilities in theatre and cinema attracted playwrights, actors, painters in thousands. At the same time, elderly members of the professions were unable to retire because either they had lost their capital or—worse, the professional organisations, from which they had hoped to draw an income in old age, had sometimes lost their capital too.

Even at the height of the boom, therefore, the professions were overcrowded. The utter collapse of activity may be visualised by a few very typical statistics.

Worst of all, perhaps, is the plight of the architects. Of these about 10 per cent were unemployed in 1929; to-day

[1] ". . . der gesellschaftliche Raum, in dem wir noch die moderne Sklaverei finden . . . ist heute nicht mehr der Betrieb, in welchem die grosse Masse der Arbeiter arbeitet, sondern dieser Soziale Raum ist das Bureau."—Emil Lederer in *Die Umschichtung das Proletariats*. 1928.

the figure is 90 per cent. Engineers have become mere wage-earners; while of the technical school engineering graduates only one in five found any job at all. In the last year it has become almost impossible to sell a book, and a writer may at best earn something by journalism. The fact that many theatres—one in every large town—are officially subsidised seems to give the actor greater security than in England, but when both State and towns are insolvent this hope proves an illusion. The plight of painters and musicians is no less than pitiable. The professional classes must always live, to a certain extent, by taking in each other's washing; when they cease to be able to do so, the natural result follows.

Doctors and lawyers are, of course, the last of the professional men that can be dispensed with; even so, it is by no means exceptional to find the elderly and the very young members of these professions on the dole. There are in Germany rather less than 50,000 doctors and about 15,000 medical students. Those who hold staff appointments are the best off, although even the income of £350 a year—earned by a doctor working for the Berlin health insurance centres in 1930—was reduced by about 30 per cent in 1931. The position of lawyers (other than those holding civil service appointments) is similar; they now receive only half the normal scale of fees for work undertaken on behalf of the public authorities.

In Germany, not only administrators and judges, but clergy and school and university teachers, are all civil servants, with pensions assured by the State. Judges and the higher ranks of local government officials have an average income of perhaps £400 a year. But as September, 1932, has opened with a complete reorganisation of the administration of Prussia, involving considerable simplification, many officials may now expect to be pensioned off.

The clergy, both Catholic and Protestant, and secondary school teachers, had about £300 per annum before the 20 per cent reduction in salaries was imposed by decree, a figure

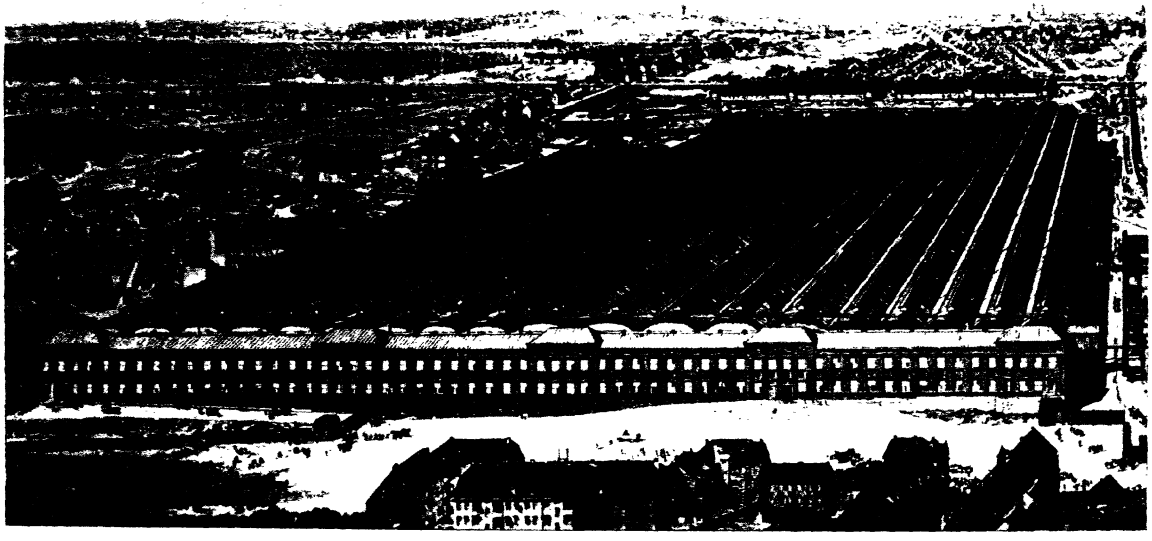
approximately the same as in pre-war days. Elementary school teachers receive about half that sum.

Of the University people, again the most fortunate are those holding academic appointments. But the minor class employed in teaching or individual coaching in the universities is very poorly off. The coaches (*Privat Dozenten*) now receive only about £225 before taxation is paid, and the possibility of adding to this by the additional lectures and tuition which would normally be in demand has been destroyed by the poverty of the students. Professors who formerly augmented their incomes by private translation and other work for banks and industrial houses, have lost their entire earnings from this source. It would probably be true to say that many German professors have lost 70 per cent of their incomes in the last three years.

Perhaps the worst feature about university life in Germany to-day, however, is the fact that about 45,000 graduated students are unemployed [1], and it is calculated that this figure would, in the absence of remedial measures, reach something like 105,000 by 1935. The Von Papen Government has therefore attempted to decree (September 6, 1932) that the 30,000 young people who will matriculate next spring shall be otherwise occupied for a year, chiefly with practical work, before entering the universities; it is hoped that during that time some will have abandoned the idea. Meanwhile most middle-class families have not only the older generation but also a jobless young graduate indefinitely on their hands. The Hitler movement has undoubtedly done something to occupy and even support such young people; one hears that the 400,000 Storm troops have been receiving 6d. a day and 3/- a day when on duty.

The plight of many families belonging to the professional class is typified by the experiences of one family with whom I talked . . . the widow of a captain killed in the war and her two children, a twenty-two year old son and a daughter of seventeen.

[1] See R. Schairer—*Die Akademische Berufsnot*, 1932.



THE LARGEST WORKSHOP IN EUROPE

The former big gun factory--now the locomotive building workshop--at Krupps. Covering twenty acres under one roof this is believed to be the largest single factory building in Europe.

THE MIGHT OF THE MACHINE AGE

One of the 5000-ton hydraulic presses shaping red-hot steel in the Krupp works.

The slump has affected this family not sensationally perhaps but typically. Economically it is almost proletarian, while it yet clings tenaciously to the social standards of the old times. The mother, now aged fifty, receives a widow's pension of about £2 a week. Attempts to augment this by finding employment proved quite fruitless, and she was therefore forced to live with her old and impoverished parents in a provincial town. The son had the good fortune to find work as an actor in the municipal theatre in another town, but earns only about the same amount of £2 a week. The daughter is taking a two years' course in orthopædics and is not therefore earning anything at present. Not even the 20 per cent fall in the cost of living since June, 1929, could make the circumstances of this family—a very typical one—even barely comfortable.

This fall in the cost of living has not by any means compensated for the heavy increase in taxation, which has greatly affected middle-class standards of life.

The fiscal system in Germany is complicated almost beyond description, more especially since the series of financial Emergency Decrees beginning in December, 1930. The chief items, however, are income tax with allowances, employment tax, turnover tax, a tax on capital and upon the revenue received from capital, and, worst hardship of all, the "crisis tax" levied upon employed persons for the maintenance of the unemployed.

Take the simple case of a typical bachelor with a good position, living in a small flat in Berlin and employing a cook-housekeeper.

He earns as a journalist a salary of £38 a month. Under the income tax regulations he is allowed £7 a month free of tax; on the remaining £31 he is liable to pay income tax at 12½ per cent, i.e. about £3 15s. a month.

From July, 1931, he had to pay in addition a crisis tax of 3½ per cent, amounting to 28/- a month. From July, 1932, this tax was increased under a different name to 6 per cent or 47/- a month.

Further, apart from indirect taxation, he is now paying a tax of about 8/- a month levied by the city of Berlin. Thus on an earned income of £31 a month, he is now directly taxed £6 10s. or just over 17 per cent.

To his resident housekeeper he pays 50/- a month. Her various insurances cost about 13/6d. a month. These legally weigh a little more heavily upon the employee than the employer, but in this case the journalist pays most of the amount—a rare generosity in these hard times. Thus this man has to pay 130/- direct taxation, plus 60/- for housekeeper, plus 85/- a month rent (making in all £13 15s.) before he has begun to eat or dress. And he is one of the fortunate ones, enjoying a much larger income than the average professional man.

The steep decline in incomes which has been a feature of the slump is clearly shown by the yield of income tax covering the years of depression.

For the boom year ending March 31st, 1929, income tax yielded 3110 million Reichmarks. A year later the figure had fallen to 3026 million Reichmarks. The estimate for the present year ending March 31, 1933, is 1630 millions. This figure, it must be remembered, includes the income tax paid by all wage earners and therefore tells one little more about the middle than the working class.

A tax whose yield is really indicative of the decrease in middle-class purchasing capacity is the champagne tax amounting to 1 Reichmark per bottle. Champagne is not a great luxury in Germany but merely an unnecessary pleasure. Where one pays 12/6 to 30/- per bottle in England, in Germany it costs 2/9 to 5/9.

In 1928–29 the tax on champagne yielded 15 million Reichmarks. A year later the yield had fallen to 11 millions. For the present fiscal year the estimated yield is 4½ millions, or 25 per cent of the pre-slump figure !

The figures given above of the falling yield of taxation, and the plight of the professional classes reveal something of the extent and intensity of their struggle for existence.

Two further facts clearly revealing the serious decline in middle-class consuming power which had been a feature of the depression in Germany, is the perpetual exodus from bigger to smaller flats, especially in Berlin, and the decrease in the percentage of second-class railway passengers.

Every quarter-day, and especially since the Emergency Decree of December, 1931[1], facilitated the termination of leases, there is a procession of furniture leaving 6-room flats for 4-room flats, and 4 for 2-room flats. The people concerned in this migration can be presumed to be more or less middle-class.

The professional classes in Germany certainly considered it their birthright to travel in the upholstered comfort of a second-class compartment. In 1929 4·66 per cent of all long-distance passengers travelled second-class; in 1931 only 3·16 per cent, a falling off of 15·5 per cent from 1929 to 1930, and of 47·4 per cent from 1929 to 1931.

Two small items, but eloquent ones!

The experiences of the small shopkeepers and small-scale businesses have differed from those of the professional classes. Apart from the loss of money savings, their proprietors were not hit hard by the inflation. It was the boom which struck many of them down—turning them into proletarians—since they could not compete with the big concerns and their rationalised technique. Yet the Marxian thesis that capital is steadily concentrating to the detriment of such people is not tenable, at any rate over a short period, and events have shown that those small businesses which survived the boom are often better fitted to face the slump than the gambling giants of industry. The contraction of credit has often failed to cut the ground from under their feet, they are often concerned with the retail distribution of necessaries which outlasts most other social processes, and which Big Business has been unable to absorb.

The turnover tax is a difficulty, but the lag in retail prices

[1] This decree helped tenants to give notice and reduced most rents by 10 per cent. It came as disagreeable news to property-owners.

has helped them. Sometimes they have gained from the general impoverishment; if one considers hotels in Germany to-day, the small ones are frequented while the large establishments stand empty or offer people the same prices as their small rivals, which means running at a loss.

This question of the small concern relates to the different conditions prevailing in different parts of Germany. In Berlin and the large towns of the North and East, the small concern has survived far less successfully than in the South and West. Berlin is, after all, the city of Siemens and Wertheim, of workmen who give a Communist majority in elections, and of *Angestellten* living in cheap furnished rooms. But in Munich or Stuttgart, small concerns flourish and the professional classes survive more happily, exchange between town and country is more direct, poor relief is lighter, and the tyranny of the foreign market and the foreign speculator seems more remote.

The political career of the middle classes through the inflation and slump periods is instructive. The German People's Party, and the Democratic, which became the State, Party, have represented middle-class opinion since the existence of the Republic; of these, the former is the party of business-men and the latter that of the Liberal intellectual. The Economic Party (*Wirtschaftsparten*) has stood for the small shopkeepers' interest. Since June, 1920, they have polled the following percentage of the votes cast in the General Elections:

	1920.	May, 1924.	Dec., 1924.	1928.	1930.	July, 1932.
People's Party	14·0	9·2	10·1	8·7	4·5	1·2
Democrats or State Party	8·4	5·7	6·3	4·9	3·8	1·0
Economic Party	0·8	2·4	3·3	4·5	3·9	0·4

In analysing these figures, it should be remembered that 1920 was the first election after the new Constitution had been drawn up, that May, 1924, may be termed the Inflation

WHERE THE KRUPP WORKERS LIVE
A view of the Alfredshof housing estate at Essen.

MODERN ARCHITECTURE IN BERLIN

The Colombus House on Potsdamer Square in the heart of the German capital.

Election, and 1932 the Slump Election. In observing the annihilation of a once important political factor, the People's Party, it should also be remembered that the death of its hero Stresemann in 1929, hastened its disintegration. Still it remains true to say that the typically middle-class parties have been destroyed by the slump, partly because the slump has made people realise that the inflation had declassed them. It will be noticed that the Economic Party flourished on its boom grievances, but automatically withered away with the slump.

A number of intellectuals have long voted Socialist or Communist, but they are statistically negligible. The political heirs to the middle-class parties are, of course, the Nazis, who returned 6 members to the Reichstag of 1928, 110 to that of 1930, and 230 to that elected on July 31, 1932. They are essentially a crisis party, and their propaganda has played brilliantly upon those whose status has become proletarian while their mentality has remained bourgeois.

The Jews, an important and talented section of the middle class, though only about one per cent of the total population, have survived the troubles of the bourgeoisie more successfully than their Gentile comrades. Hitler gives voice to the cries of these fallen angels. His demagogy brilliantly expresses the levelling instincts of the injured, while dissociating his socialism from the socialism of Labour by calling it national, and thus satisfying the traditions of those who prospered when Germany was great. Given the Nazi economic programme, those who vote for Hitler are in fact voting against captialism,[1] and, consciously or not, the middle classes, including the peasants, have swallowed the pill of admitting their advancing proletarisation with the help of Nazi jam.

Peasant politics have had an uneven and unimportant history, from which it is impossible to make deductions. In 1932 the peasants, too, may be said to have succumbed to Hitler.

[1] It is interesting that since the slump which necessarily brings an anti-bankers' ramp state of mind, the percentage of Germans who have been voting for professedly anti-capitalist parties has risen from about 44 per cent in 1928 to 56 per cent in 1930 and 73 per cent in 1932.

The effect of the slump has been far more obviously disastrous for the working classes than for the surviving middle classes of Germany, although hitherto the State has by choice supported and subsidised Big Industry and large-scale agriculture. The new economic decrees (September 5, 1932) of the Papan-Schleicher Government profess to be more individualistic in intention, and by remitting 40 per cent of a man's taxes (other than income tax) for the coming year, to offer relief as much to the small concern as the large one. Fifty million marks are to be given by the State for repairs to house property and for the cutting up of large houses. This programme, which Herr von Papen has described as the last chance for private enterprise in Germany, and which will presumably come into force seeing that it cannot be actively challenged or prevented by the Reichstag as long as present political conditions exist, will bring respite to members of the middle class who have until now managed to keep their heads above water—assuming purchasing power is in fact increased and not decreased by the measures which it contains. A general recovery will salvage a certain number of professional people, though it will take years before the surplus graduates from the Universities can be absorbed into employment.

It is probably true to say that the slump has not only caused those proletarianised by the inflation to realise what has happened to them, but has also proletarianised the younger (i.e. future) members of the surviving middle class, who have been made to taste the bitterness of unemployment.

Prophecy is dangerous, but indications suggest that the professions will in any case tend to become a mere disguise for proletarianisation, for, more and more, doctors, architects, lawyers, etc., with no reserves nor capital of their own, must become mere employees of the State, the towns or the large building and other concerns. The shopkeeper may again find the difficulties of competition with flourishing large concerns, and will tend to become their employee instead when the big people can again offer him employment. The

State in Germany is so deeply involved with the large concerns, and, apart from them, has so many employees of its own, that its whole tendency is, sooner or later, peaceably or not, to emerge as a Communist society—economically, not politically—not without its Nepmen, the butchers, the bakers, and the candlestick-makers.

CHAPTER VII

HARD TIMES IN THE RUHR

I LEFT Berlin to visit a world of steel. A few hours later I stood in a huge hangar-like building over one hundred and fifty feet or more high, watching the mightiest industrial machine ever devised by the brains of mortal man at work.

"In one moment," said the official, who was accompanying me through this nightmare world of steel, "you will see the largest machine of this machine age—more powerful than anything in the United States or Britain."

At that moment the ground beneath our feet shook, while a dull reverberation reached my ears.

"Good," murmured my companion, "it is at work."

We entered the building. At first the gloom, deepened by contrast with the bright sunlight outside, prevented me from seeing anything but a red glow in the distance. Slowly vision returned, and just as ground and building shook a second time I saw it.

It stood there, alone in its might in that almost empty shed—the largest steel press in the world and the supreme achievement of the engineer. Slung beneath it by giant chains was a steel boiler weighing 300 tons, white hot. And the giant father and mother of all steel presses was using its 15,000 tons of power to pat that boiler into shape as though it were so much butter.

There was no man in sight; indeed, no man could have approached that mass of glowing steel, for each time the giant press thundered down with its 15,000 tons, showers of red-hot sparks provided a pyrotechnic display for yards around.

Gently, without haste, the super-humans hidden high up in the roof adjusted the chains holding that mass of steel so that after each punch the boiler was in just the right position for the next. Nothing could have withstood that awful grinding pressure under which the boiler was slowly taking its final shape.

With the inevitability of time itself the press thundered down once a minute, while the lump of steel swung below it, to emerge at length a seamless forged boiler destined to bring Russia's Five Year Plan one step nearer completion.

I was fortunate in seeing that great press at work. Most of the time now it is idle. On the day I stood there it was working on an order for ten of those boilers, especially made to withstand enormous pressures and high temperatures, for Soviet Russia. When the order was finished, the ground beneath the shed would cease shaking. For no one could tell me where the next order was coming from which would bring those 15,000 tons of power crashing down.

That mighty press was the most impressive thing that I saw in Germany. Had I gone to Essen a few years earlier I should have seen more wonders than those works, stretching for five miles across the Rhineland, can show to-day. Fourteen years ago I could have seen the machines which during the war turned out 150,000 shells a day, fifty heavy guns a month and enough field-guns a week to equip the entire army of a country like Switzerland or Sweden. For the works which stretched away into the distance all around me as I stood beside that most powerful piece of industrial machinery on earth, was the world of Krupp—until 1918 the greatest munitions plant in the world.

The Krupp steel works are situated at Essen, in the heart of the Ruhr Valley, the most highly industrialised region on the face of the earth. From the furnaces of the Ruhr pour three-quarters of all the steel and iron produced in Germany. From its coal-mines pour three-quarters of all Germany's coal. A handful of four millions of people in the area, constituting only 7 per cent of the total population of Germany, produce in normal times 80 per cent of the total production of Germany's greatest heavy industries.

How hard had the industrial heart of Germany been hit by the world depression? The Ruhr Valley itself answered the question before I even reached Essen.

Approaching the city through Dusseldorf the train runs

through rows of tall chimneys for over an hour before reaching Essen. In places over one hundred tall smoke-stacks are in sight at one and the same time. No need to ask questions about the importance of the Ruhr after seeing that parade of industrial might.

As I journeyed past them I noticed two other things—the absence of smoke and the greenness of the grass. Bad signs, those, for green grass in the Ruhr means hard times. There, as in other highly industrialised regions, the flowers bloom best when the furnaces are put out and the spectre of want stalks in and about those rows of tidy homes built in the shadow of the tall chimneys. This year there is very little smoke coming from the Ruhr chimneys—in the majority of cases none at all. And the grass is greener than the people of Dusseldorf and Essen care to contemplate.

The last fourteen years have not been easy years for the Ruhr. They have been especially hard years for the army of homes which depend for their prosperity upon the great Krupp works.

First came the Inter-Allied Commission, charged with the task of seeing that the clause of the Treaty of Versailles, under which Germany was prohibited from manufacturing armaments and compelled to dismantle all plant that might be utilised for that purpose, was observed.

The Commission destroyed 10,000 separate machines in the one plant. Half the entire works and machinery worth £6,000,000 were laid waste before the military experts were satisfied that Krupps could no longer supply a German army with guns or shells or any of the paraphernalia of war.

Faced with the task of finding a use for its seventy separate gunshops, its blast furnaces, its coal mines, its presses—its organisation built up over a hundred years of effort, and its army of workpeople which numbered 150,000 men in 1918, Krupps faced the task of beating their swords into ploughshares. They had either to reconstruct the whole of that giant plant, turning over from a war to a peace basis, or close down entirely.

Considered in conjunction with all the other difficulties of that time, the task was probably the most colossal ever attempted in the history of large-scale industry. And Krupps succeeded—even though some of its workshops remained idle and locked and some of its workers remained " surplus to requirements ".

How well they succeeded is testified by a walk through the " museum " in the Essen works, where are exhibited specimen products of the firm's output, ranging from ships and locomotives to false teeth, penknives, surgeons' forceps and cash registers. In the course of their great effort to recover their former place in the steel industry of the world, Krupps settled down to turn out everything that could possibly be made of steel or with steel—from railway lines to aeroplane parts. They even attempted to compete with Lancashire in manufacturing cotton-spinning machinery. At Essen I was shown the great workshop allocated for this work. It was empty and locked.

" We fought Lancashire for three years, but Lancashire beat us," said a member of the firm philosophically. " We had to abandon that experiment."

It must have been one of few defeats, for by 1928 Krupps were again working to 80 per cent of capacity and providing employment for 30,000 men at Essen, and 60,000 throughout Germany.

While the issue of the fight remained still to be decided, in 1923, the French occupation brought the wheels of Ruhr industry to a standstill for a second time in five years. That misguided episode in post-war " diplomacy " was felt with special severity at Essen, where many prominent citizens were arrested, including Dr. Krupp von Bohlen, the present head of the firm, who in former days was reputed to be the richest German in Germany.

The French " invaders " having returned to their own country, Herr Krupp von Bohlen having left his prison cell to discover that the sentence of the French military court had enormously increased his popularity, and the barracks built

at Essen with German hands to house the French military command having been converted into quarters for the town police, Essen settled down once more to the task of regarding its " place in the sun ".

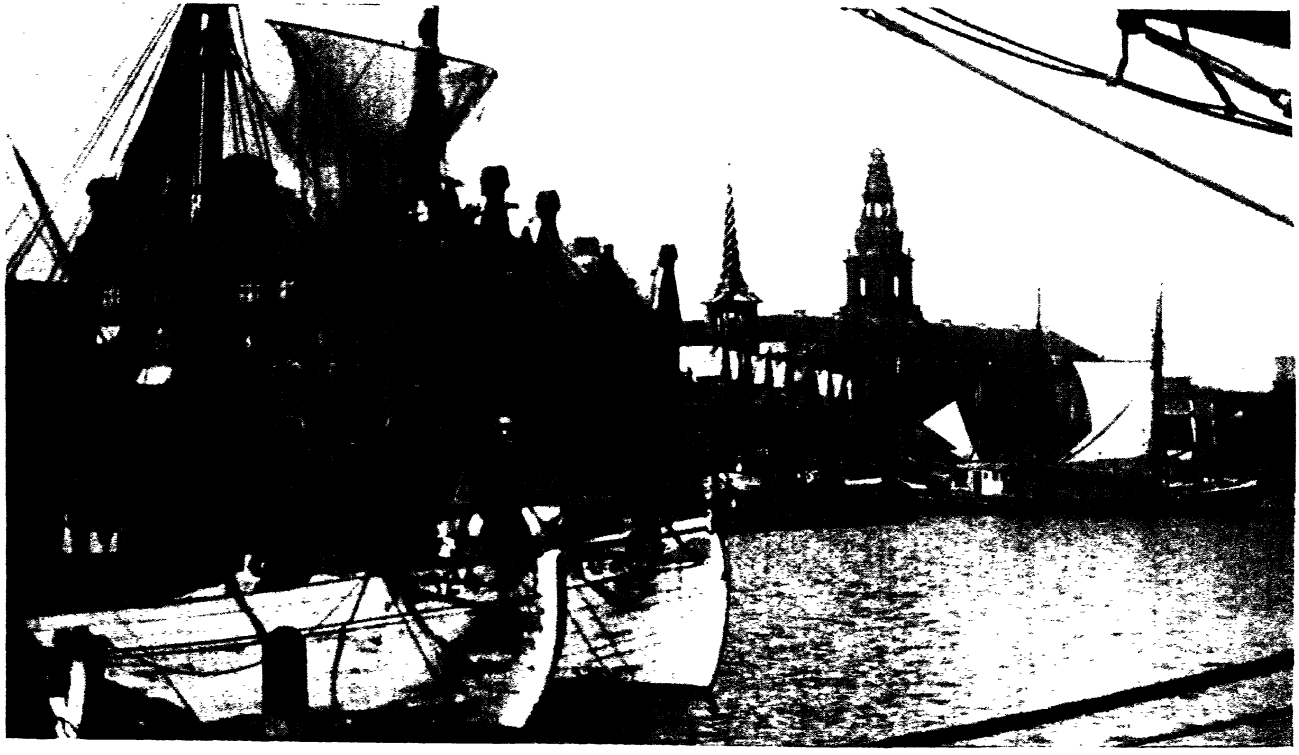
In 1929, it almost looked as though the days of tribulation were ending. In that year the monthly average of German exports of manufactured goods rose to £52,750,000—the peak figure of the post-war years. And in the expanding list of exports, steel occupied a prominent place.

Then it was that the slump began to creep through the Ruhr Valley. The men who direct that great industrial area fought hard against its insidious attack, but it was a losing fight. By January, 1932, the manufactured exports for all Germany had fallen to half the 1928 figure. Since then, month by month, further declines have been registered. From 80 per cent of possible production in 1928, Krupps output has fallen to less than 33 per cent of capacity to-day. And the colossus of iron and steel is facing the hardest winter of a century with production still falling, and no break in the clouds ahead.[1]

Krupp is Essen and Essen is Krupp, as the local saying goes. And the unemployment figures for the city bear out the truth of that statement. Out of a total population of 650,000 persons, 90 per cent are workmen and their families. Out of that 90 per cent, about 100,000 are totally unemployed and a further 200,000 on short time and receiving municipal relief to supplement wages, which, for three days' work or less a week, are below the subsistence level.

Those still at work are not much better off than the workless. The rate of pay for skilled steel workers is now 10d. an hour, and for unskilled 6½d., plus, in each case, a small family allowance in the case of married men. Working a 30-hour week, the 15,000 men still employed at Essen, and the 35,000 employed at Krupps throughout Germany, the

[1] During May and June, 1932, six out of every seven tons of iron exported from all Germany went to Soviet Russia, that country taking 322,500 tons compared with 50,000 tons for other countries. By July, 1932, the Russian orders had been completed and iron exports began to decline to new record low levels.



A NORTHERN CAPITAL

The quay at Copenhagen with the Christianborg Castle, seat of the Danish Government, in the background.

DENMARK'S DEMOCRATIC RULER

A snapshot of King Christian X among his people on a public holiday at Copenhagen.

survivors of the industrial army of 150,000 employed in 1918 —are earning about 25/- a week if skilled and 16/- a week if unskilled. One more fact supporting the statement that Germany is to-day a nation trying to exist on an income of a pound a week per home.

Standing at the top of the central tower which crowns the works, I gazed down at this nightmare world of iron and steel. Even from that height the depression was clearly in view. Out of over eighty chimneys in sight, less than twenty were exhibiting any signs of activity Of over seventy workshops, including the former big gun shop which is now the locomotive building plant, covering twenty acres under one roof and forming the largest single industrial shed in all Europe, many were locked. Railway sidings, built to carry away the flood of war equipment which ceaselessly poured from that gigantic plant during the war, stood empty and grass-grown.

The test of prosperity in a steel works is the blast furnaces. If they slow down, then the whole works must slow down. Krupps have twelve blast furnaces, two at Essen and ten at their works at Rheinhausen. In 1931, out of the twelve, six were working part time. Men then thought that the depression had done it worst. But it reserved its heaviest blow for 1932. To-day the two blast furnaces at Essen are still working, but their daily production is 300 tons compared with a capacity of 1200 tons. And the ten furnaces at the Friedrich Alfred Hutte at Rheinhausen are completely idle.

I motored—one needs a motor car to travel from point to point inside the Krupp works—to the locomotive building department, in the mammoth twenty-acre shed. From the gallery, standing close beside another visitor to Essen, the Chinese Minister at Berlin, I surveyed the scene. I could not help wondering what the gentleman from Nanking thought of the picture illustrating the plight which has befallen industrial Europe.

There are nineteen bays in that one workshop, each a quarter of a mile long. Two years ago 7000 men were

employed in the department, and the daily production was one complete locomotive every eight hours ! Now the 7000 men have dwindled to 400—a mere handful lost in an immensity of space.

I passed on to the open hearth steel shops, where are 44 furnaces, the largest holding 300 tons of steel. Those furnaces can turn that quantity of pig iron and scrap metal into boiling, bubbling steel at a temperature of 1700 degrees centigrade in six hours, after which giant cranes tip the furnace and pour the liquid steel, like boiling water, into the moulds. Some of the furnaces were still working, and through coloured glasses I saw the boiling steel within—and felt its heat. I could have written this chapter in most of them. They were idle in a world which has no money to buy the steel they fashion so speedily and which lasts so long.

The rolling mills only underlined the same story. In this department great ingots of red-hot steel are lifted by mechanical claws from the furnaces and placed upon moving platforms which carry them under the rollers that pat them into the required thickness and shape like butter, and finally cut them into lumps. Here I saw slabs of steel weighing five tons squashed flat in a matter of seconds. Once the plant is there, it needs very few men to supervise this work. The machine does everything, from the moment the steel bars leave the furnace, to the moment when, cut and shaped, they are picked up at the other end by overhead cranes and gently stacked, still red-hot, ready to pass out to the departments which will use them as raw material.

The rolling mills were working only three days a week. If they suddenly received a big accession of orders not so very many extra hands would be required to execute them. At Krupps the Machine is king. Man is still needed to work the switches, to press a button here and there. But not until one reaches the departments where the steel is turned into cash registers and farm tractors, penknives and buckets, does one re-enter a world in which man is more important than the machinery about him.

In other departments giant lathes were paring down hard steel as though it were wood, motor lorries were being constructed on the mass production principle, and cash registers were being turned out in what seemed to be surprising numbers considering that the world of to-day has no cash to speak of.

The 33 per cent of possible production still being turned out at the Essen plant, is chiefly composed of high grade steels, stainless steel and motor trucks. Orders for agricultural machinery, which not so very long ago were still good, are now scarce, following the impoverishment of the peasants and farmers of Europe by the fall in commodity prices.

" Bring the price of wheat back to the 1928 figure, and our agricultural machinery department would need another 2000 men in a month's time," said an official to me, thus emphasing once more the lesson of 1932—that the world cannot live in watertight compartments and prosper.

There is in Essen to-day more Communism but less real hunger than there is in Berlin. Privation, such as might be expected to exist in view of the figures I have given concerning Essen's greatest industry, has been robbed of some, at least, of its terrors by reason of the large sums invested by Krupps in the past to build up welfare institutions for their workpeople.

Essen is in the heart of Germany's " Black Country ", and it has remained a garden city of surprising beauty—surprising, at least to those who are accustomed to associate iron and steel with bad housing conditions and ravaged countryside. And for this escape from the worst effects of industrialisation Essen has to thank Alfred Krupp, and his successors in the firm.

To-day the Krupp housing estates are among the most beautiful, architecturally and in general amenities, in any industrial city in Europe. In them live ten thousand of Krupps workers, who pay rents averaging about three-fifths of the normal rent for the accommodation they possess. From 30 to 40 per cent of these tenants have been " stood off " at the works during the past two years and cannot afford to pay

even these low rents out of their unemployment benefits or municipal relief without real hardship. It is the policy of the Krupp works to allow them to remain in possession in every case, in the hope that next year will bring an improvement.

Affording even more valuable relief to the household budgets of the Krupp workers in hard times, because available to all, are the eighty branches of the Krupp Household Supply Stores, which supply clothing, household goods and foodstuffs at cost prices. These stores, excellently conducted and situated in all parts of the Krupp housing estates, have exercised an important influence over the cost of living at Essen.

I accompanied the wife of a Krupp worker to do her week's shopping at one of the branches. Butter cost her 1/– per lb., margarine for cooking 4d. per lb., sugar 4d. and 5d. per lb., according to the variety, potatoes 4/6 per 100 lbs., dried beans 1½d. to 2½d. per lb.—prices as low, and sometimes slightly lower, than those in the provision shops situated in the poorest quarters of Berlin.

It was significant of much, that there were queues—better-dressed queues than those in Berlin—at the counters where such necessities were sold, while the " luxuries " counters, displaying shoes, wines, meat and so on, were doing very little business.

Later, the manager of that branch summed up the story of Essen in 1932 in a single sentence.

" Where six months ago the wives spent ten or twelve shillings upon food on a Saturday, now they spend five shillings, and buy carefully."

From those stores I went to see the workers, and veteran employees, of Krupps who do not have to worry about food prices—the sick men in the convalescent homes set within a peaceful parkland, and the old pensioners and widows of workers who live in the firm's almshouses, and who are permitted to buy the main meal of the day from the convalescent home near by.

There were 230 sick workmen in that home, and a further

hundred old folk were supplied with dinner from the same kitchen.

I saw that dinner cooked, and I took my place with the convalescent men at the table to eat it afterwards. It consisted that day of soup, veal, potatoes, cabbage, bread, and apricot compôte. The sick men made no payment, of course. For them their stay at that beautiful home with a quiet river flowing past their windows was one of the benefits of the sickness fund. The old folk paid for the same meal eaten in their own homes, 5d. in the case of men, and 3d. in the case of widows.

From the Krupp housing estates I walked for a time through the streets of Essen. Men and women were setting out for an evening in the countryside which surrounds the city. Judging by external appearances, the fact that it was warm weather, and there is a river with quiet reaches where one may bathe in solitude within five miles of the city, was of more immediate importance than those ten million tons of coal—a year's output—stacked unsold around the coal pits of the Ruhr.

But appearances are often deceptive, and the slogans "Heil, Hitler" daubed on factory walls around Essen, and outnumbered there ten to one by other slogans running "Long live Moscow", show that the Ruhr, like the rest of Germany, still takes its politics seriously. And politics, to a German, mean his chance of a decent life again, free from the nightmare of hunger. At Essen, as at Hamburg, Berlin, and elsewhere, the strain is there, something to be endured for twenty-four hours a day even as those other households, stretching from the Baltic to the Mediterranean, are having to endure it in a lesser degree.

Can Germany continue to stand the strain? Her annual savings have shrunk from £450,000,000 in 1928 to nothing in 1931. During 1932 capital will have been spent in a desperate effort to make ends meet, for taxation has been steeply increased. The national income fell by 30 per cent last year—the biggest fall in one year any European country

has experienced. What that decline means to the ordinary German household I have shown.

What does the ordinary German think about it all? It was an unemployed German ex-soldier, aged about thirty-five, who expressed the prevailing sentiment which I found in that country when he said: "We've got the same sun. The leaves still grow green. Why, then, all this mess? Men anxious to work but starving. Goods unsaleable when millions desperately need them. Germany has her old skill, her spirit, health, factories and workshops. Yet millions of us are told there is no escape from hunger and despair. I tell you something must be done about it—if it takes a monarchy to do it."

I doubt if any statesmen could have expressed better what the masses of Germany—both working and workless—think of the plight of their country.

The one safe prediction is that, failing a definite improvement in 1933, or perhaps whether that improvement comes or not, something will be done—even if that something means sabotaging the republic and placing another Kaiser on the Imperial throne which stands, empty and desolate, in the Potsdam Palace at Berlin.

Strange if a bread and potato diet heralded the return of the Hohenzollerns to the European scene. Yet no stranger than the thirteen million votes cast in the general election of July, 1932, for the Austrian demagogue, Adolf Hitler, who preaches the barren creed of Fascism and would sweep away the intellectual independence and the free evolution which has brought Germany to her present great place among the nations, and substitute for these things a feudal autocracy at present unknown in Europe outside the small eastern states.

Strange ideas are working beneath the surface of German life. Few things are impossible, and among those few impossibilities is a successful Communist *coup d'état*. Among the possibilities must be counted the restoration of both conscription, in at least a modified form, and the monarchy.

Germany is going to demand her place in the sun—as soon as there is any sun in sight to share with other nations.

CHAPTER VIII

DENMARK FEELS THE PINCH

A KEG of butter, weighing 1 cwt., was worth 175/- in 1928. To-day a keg of butter sells for only 88/-. Those two figures reveal something of what the world depression, and particularly the catastrophic fall in commodity prices during the past two years, mean to the peasant homes in the peaceful green valleys of Denmark.

The reduction in the world prices of dairy produce does not tell the whole story, however. For Denmark to prosper, Britain must prosper too. A depression over the industries on the Clyde, or in Manchester means, infallibly, a similar depression in North Jutland. Hard times in the Yorkshire cities denote equally hard times in Zealand. For Denmark lives by producing breakfasts for Britain.

Consider one or two facts concerning the trade of Denmark, beside which all other facts are of secondary importance. 83 per cent of the entire exports of Denmark consist of agricultural produce, principally bacon, butter, cream, cheese, and eggs. 60 per cent of Denmark's entire exports are sold to Britain. This country at present buys no less than 98 per cent of all the Danish bacon exported; 69 per cent of all the butter exported and over 75 per cent of the 780,000,000 eggs sold abroad every year.

In view of these figures, showing how closely the fortunes of the Danish peasant are linked with those of the British people, it is not surprising that Denmark was the first Continental nation to follow Britain off the Gold Standard in 1931. Denmark produces too much butter herself not to understand on which side of her trade bread that butter should be spread.

Everything that organisation and a government-controlled standard of production could do to assist Denmark's greatest industry was done long ago. The Danes did not achieve their pre-eminence in food production by chance; their co-operative system has long won the admiring praise of agriculturists the world over.

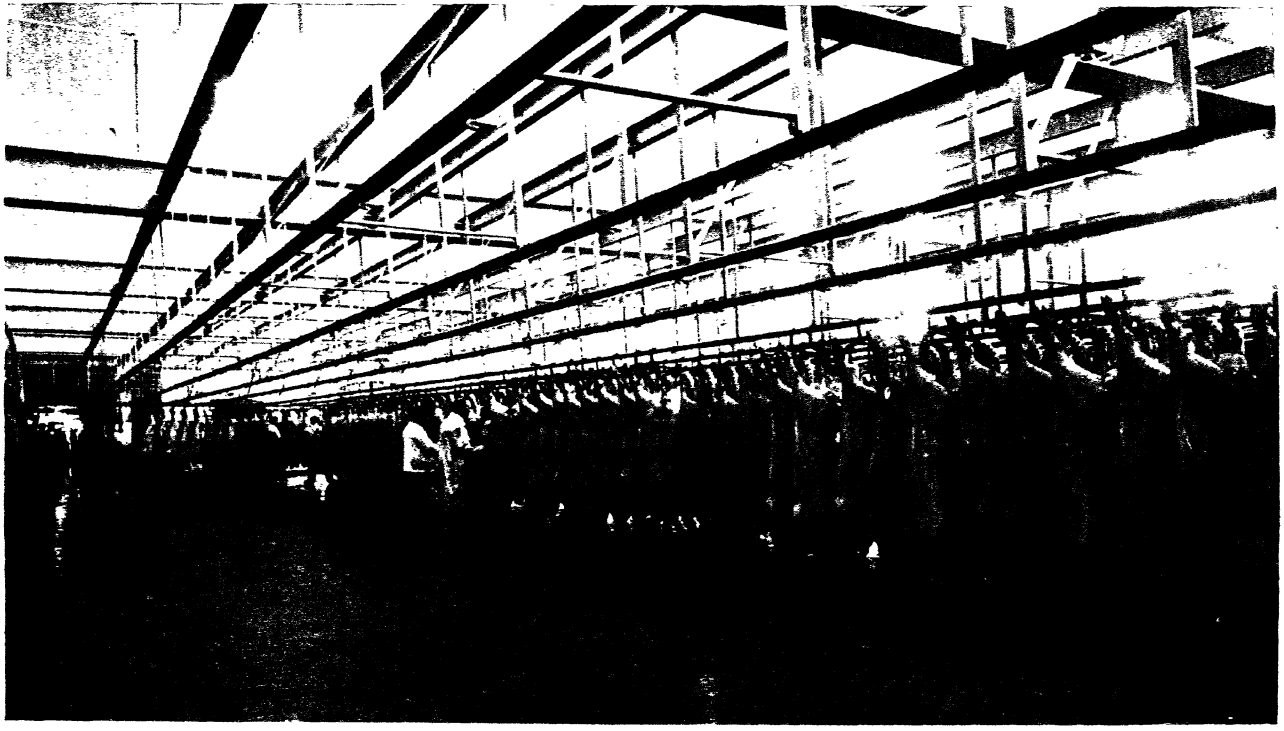
But could any degree of co-operation mitigate, in any real degree, the effects of a fall in commodity prices which elsewhere in Europe, and particularly in the food-producing countries of Eastern Europe, have reduced the peasant hosts to something approaching universal beggary ?

The only place where that question could be answered was in Denmark itself. I left Germany, the land of huge-scale industry, for the land of smallholders and peasants.

It took me exactly ten hours to travel from Berlin to Copenhagen, the capital and only large city of Europe's model state. Ten hours only to leave one world and enter another. For there exists in Europe to-day no more dramatic contrast than that afforded by poverty-stricken Berlin, the city of hungry faces and soup kitchens, passing from one political crisis to another, and those still-happy communities which occupy the peninsula of Jutland and the five hundred Baltic islands which lie grouped to the east, where the cow and pig are the source of wealth and politics remain a subject for leisurely evening discussions at the Danish equivalent of the village pump.

True, Denmark is facing hard times. Her agriculturists are quite understandably anxious concerning the effects of Britain's newly-raised tariff wall upon their export trade. They know well enough that, whether or no Mr. De Valera can do without Britain's trade, the standard of living of Denmark would be shattered for a generation if that trade were seriously to decline. But the graver problems of highly industrialised Europe are almost unknown in that land of smallholders farming their own soil.

If the slump has passed more lightly over Denmark than other countries the reason for her escape lies in the working of a benevolent Providence which decreed that in all that land there should be only nine hundred farms of over five hundred acres in extent, few hired labourers, and nearly one million persons supported by agriculture out of a total population of only three and a half millions.



WHERE BRITAIN'S BREAKFASTS COME FROM

One of the sixty Danish co-operative bacon factories which handle seven million pigs a year.

WHERE THE DANISH WORKERS LIVE
Typical old-style working-class houses on the outskirts of Copenhagen.

That million supported by small-scale farming is Denmark's insurance against hunger—national or individual. When bad times come, as at present, their labour at least assures them of a roof over their heads and a sufficiency of food for their family, including, maybe, the son who migrated to a town and, being unemployed, has returned to the farm until brighter days come. That system of peasant holdings, with co-operative marketing and with Britain as their best customer, is responsible for the paradox by which agricultural Denmark remains one of the happiest countries in Europe at a time when the peasants of the world are among the worst sufferers in the slump. And, it may be added, those same social conditions are responsible for the fact that in Denmark to-day, with one in four of all her trade unionists workless, one has to look beneath the surface, even in the cities, for any sign of bad times.

At Copenhagen, shortly after my arrival in that city, and with the hungry faces of Germany still mirrored in my mind, I met 40,000 Danes. They passed by me in battalions as I sat on the terrace of the Wevex Restaurant, outside the famous Tivoli Gardens. It was a beautiful summer night, with a soft warm breeze, and the gardens, which may be best described as a pleasure park plus a sort of permanent Wembley Exhibition (complete with "houses of Old London" as a special attraction), were illuminated with tens of thousands of coloured electric lights.

From seven until ten that procession of Danish men, women and children on pleasure bent never ceased, until I was lured into the Tivoli Gardens myself to see the exhibition which could accommodate such crowds.

It cost a copper or so to enter. Inside, a number of orchestras played in various parts of the grounds. There were large open-air restaurants and beer halls, all well patronised, and the usual innumerable side-shows each attracting a swiftly changing crowd.

I patronised two side-shows, bought a glass of the lager for which Denmark is famous, and under cover of this

purchase, listened to an excellent programme of music for over an hour.

When I left the gardens I had spent two shillings. Little enough for an evening's pleasure. Yet that modest expenditure constituted a social fact which shed an interesting light upon the condition of Denmark to-day. For I was not alone in spending money in the Tivoli Gardens that night. A good proportion of the population of Copenhagen was doing the same thing at the same time. Assuming that each man and woman spent only 1/6, including the cost of admission, at least £3000 must have changed hands in the Tivoli during the evening.

I thought of the Winter Garden Theatre in Berlin, one of the most famous music halls in all Europe, which I had found playing to a half-empty house. Emphatically, those ten hours in the train had carried me to another, better world.

Copenhagen might have 25 per cent of its trade unionists unemployed. The fall in the value of Denmark's chief exports may have hit the million people whose prosperity is wrapped up in bacon and butter prices. But these things have not caused serious or widespread hardship. Certainly they have not caused destitution or endangered the national finances.

If London is not England, however, still less is Copenhagen Denmark. To find the real Denmark one must leave that city and travel through the countryside that is so reminiscent of England that it would be possible for a British traveller upon reaching the rolling vistas of Zealand, to imagine that he had come home.

To the real Denmark, therefore, I went, travelling by motor-car for over three hundred miles in order to visit the smallholders, the co-operative creameries, bacon-curing stations and egg-grading plants, and to hear from the lips of the Danish peasants the facts concerning Denmark's " key " industry to-day.

The homes of the people are a good index of a nation's

standard of living. During the journey I saw hundreds of well-kept homesteads—one-storied buildings, many of them built since the war, containing four rooms, with the farm buildings attached. They appeared so happy and peaceful, those little Danish communities, that it seemed impossible that the value of a keg of butter is to-day only half what it was three years ago. " Here at least is a people who are still living in the prosperity of 1928," I thought.

Then I began to ask questions of those hospitable farmers and their wives. I talked with the " apprentices " on the smallholdings, with the managers of co-operative organisations, and with agricultural labourers. And later I talked with Dr. Sorensen, the Government Agricultural Adviser, who probably knows as much about the lives of the Danish peasants as any man in that land. And thus I learnt that while my first impressions, in the Tivoli Gardens at Copenhagen and during that drive through the villages, were to a certain extent correct, and Denmark's smallholding system has prevented any widespread and acute hardship for her people, yet even the most highly organised and successful co-operative farm movement in the world has not kept the slump out of Denmark. How, indeed, could it be otherwise, when it is remembered that in a typical recent year the Danes exported 270,000 head of cattle, 51,000 live pigs, 248,000,000 kilos of bacon, 159,000,000 kilos of butter and that almost astronomical figure of 780 millions of new-laid eggs ! All, necessarily, sold at the world prices.

The world depression did not reach Denmark until the second half of 1930. In the last two years, the value of agricultural exports has fallen by approximately 29 per cent, and of manufactured exports by 39 per cent, while unemployment in farming and industry combined has risen from 15 per cent in March, 1931, to 30 per cent in August, 1932.

The doubling of the unemployed within a single year was not the only symptom of bad trade. Many farmers found themselves saddled with mortgages secured after the war on which the interest rates are from 4½ to 5½ per cent. These

mortgage payments involved no appreciable hardship while the value of butter and pigs remained at the 1928 figure, but with the collapse of prices, mortgage payments, in many cases, absorb 60 per cent of the total cash income of a year's work on the land. In some cases the money remains unpaid; where it is paid, the burden involves a severe contraction of the household budget. Fewer new clothes are being bought and fewer luxuries are attainable.

A people may, however, have their standard of living reduced without experiencing actual poverty. It all depends how high that standard was in normal trading years. I therefore spent some time in discovering the conditions under which the peasant families which constitute the greater part of the population of Denmark are living to-day.

This peasant class, occupying small farms of from ten to twenty acres, forms the backbone both of the nation and the co-operative movement. It is a growing class, for in the last thirty years over 20,000 additional small farms have been made available for selected smallholders by the Danish Government.

From these family farms, each producing about forty pigs a year and selling the milk of six cows, comes the bulk of the Danish bacons, butter and eggs to the British breakfast table. In many cases the entire labour is supplied by the farmer and his family On the second grade farms of up to fifty acres the labour power of the smallholder is often supplemented by the work of two or three young " apprentices ", who learn farming by working for a period of from six months to three years in return for their board, lodging and a small money wage. Hired labourers are few except on the larger farms. When employed the average wage paid is 400 Danish Kroner for the six summer months, and 160 Kroner for the winter season, plus board and lodging. This money-wage, averaged throughout the year, approximates to 15/– a week in English money. The value of those shillings to the Danish farm-labourer is about the same, measured in purchasing power, as they would be in this country, the cost of living in

Denmark, with the exception of food, being 50 per cent above the 1914 figure. The rent of a farm-worker's cottage, superior to all but the most modern rural cottages in England, is usually about £5 a year or less. Food is cheap. Amusements are largely confined to the wireless, games and communal singing, dancing and lectures at the meeting house which exists in each district. Only when the countryman goes out to buy clothing, agricultural machinery, and semi-luxuries does his cost of living rise to about 10 per cent above the British figure.

The smallholder himself could usually reckon upon making a profit of about £150 for his own labour and that of his family, working an average of ten hours a day, *before the fall in prices came.* In addition he lived rent free, apart from any mortgage payments on his farm, and grew part of his food.

Since the beginning of the slump that profit has in tens of thousands of homes been cut in half or disappeared altogether. Despite that fact to-day, the Danish smallholders are relatively better off than the larger farmers, many of those peasant-farmers with whom I talked, confessing to a cash income of 25/- a week even in these days when the selling prices ruling for the food they produce are the lowest for thirty years.

The relative prosperity of these small farmers, as compared with the industrial workers of Europe, is best shown by two household budgets which I inspected while in Denmark.

The first was that of a factory worker at Copenhagen, employed full time, and earning 3000 Danish Kroner a year, or about £170. Out of that income, one-third went in rent, leaving slightly over £2 a week for food, clothing and social insurance and amusements.

Contrast this with a smallholder, farming twenty acres, with whom I talked. His family income came from raising forty pigs each year, which brought in 1800 Kroner, and the milk yielded of six cows, which produced another 600 Kroner. Total income, including a small sum from eggs and vegetables, about 2750 Kroner, or £160. That peasant

has assured employment, the opportunity of growing food for his family, and approximately £65 in cash after deducting mortgage payments, taxes, and other fixed charges.

Not all smallholders have a cash income of this size to-day, but all of them have enough food, and most are paying their way, if some economising is necessary to do so.

Multiply that peasant budget by a quarter of a million homes, or something near that figure, and the reason why distress is not immediately apparent to the visitor to Denmark becomes apparent.

Similarly, the owner of a middle-size farm who was making from £300 to £400 in 1929 has to be content with about a third of that sum to-day, or as near content as he can, for Danish farmers, like agriculturists the world over, can usually produce a "grouse", even if it is only the English topic of the weather.

The strength of Denmark lies in the fact that most of her people are working for themselves. They may earn less and save less, but they still have work to do. They still have their homes intact—there are few pawnshops in Denmark. They escape the demoralising effects of idleness. And while they are undoubtedly having to economise in many ways, hence the steep drop in Danish imports by nearly one-half since 1928, their families still enjoy a daily menu which would seem like a far-off dream to the unemployed steel-worker at Essen or the unemployed miner in the Rhondda Valley.

Here is the daily food as served on one of the medium-sized farms which I visited—and provided, be it noted, for both the farmer's own family and for his apprentices. On other farms I found similar meals being served.

Breakfast (at 6 to 7 a.m.). Sandwiches and coffee.

10 a.m. Sandwiches (eaten in the fields).

Noon. Hot dinner consisting of porridge or soup, meat (pork or veal) and potatoes.

After this main meal the farmer and his helpers rest for an hour, afterwards taking coffee before beginning the second half of the day's labours.

4 p.m. A "snack" eaten in the fields in summer.
6 to 7 p.m. Evening meal of meat, potatoes and milk sauce.

There is little alcohol drunk in the villages, the most popular drinks being milk and a brand of non-alcoholic beer which is peculiar to Denmark.

Here I would add that "sandwiches" are a prominent item of food in every Danish home and restaurant. These are more formidable than the English variety, consisting of a piece of black bread, smeared with butter or margarine and covered with chopped meat, eggs, salads and other foods.

I have before me a list of the sandwiches which may be obtained at Davidsen's Restaurant at Copenhagen. On it are detailed 157 different varieties, ranging from "scraped fillet of beef with caviare" to smoked Kiel sprats and a sandwich which I had not the courage to order, made from Swedish birds' nests, but which I was assured was very tasty.

The farmer may not enjoy such a profusion of sandwiches as this, but he is still getting meat twice a day in the middle of the worst trade slump in history, and the workless millions of Europe would envy him his luck.

In other respects, too, the standard of living of the Danish smallholder is higher than that of three-fourths of the world's farmers at a time when wheat and other crops are yielding little or no profit.

Electric light and power are more widely used there than in our own land; indeed, more widely available to all classes than in any land I know except Switzerland. Education is free to all from the age of seven to fourteen years. For those between eighteen and twenty there exists a very interesting system of adult high schools, where history, literature and such subjects are taught and the aim is to create some interest in life apart from pigs, eggs and the daily work. For the embryo farmer there are excellent State courses in farming, so that each new recruit to Denmark's greatest industry is thoroughly trained to maintain the high standard which the

Government demands from every smallholder before he is permitted to use the national trade-mark for his butter, bacon and other produce. There is only one trade-mark for Danish produce, which is a Government guarantee of quality. Not a little of the success of the Danish farmers is due to that fact.

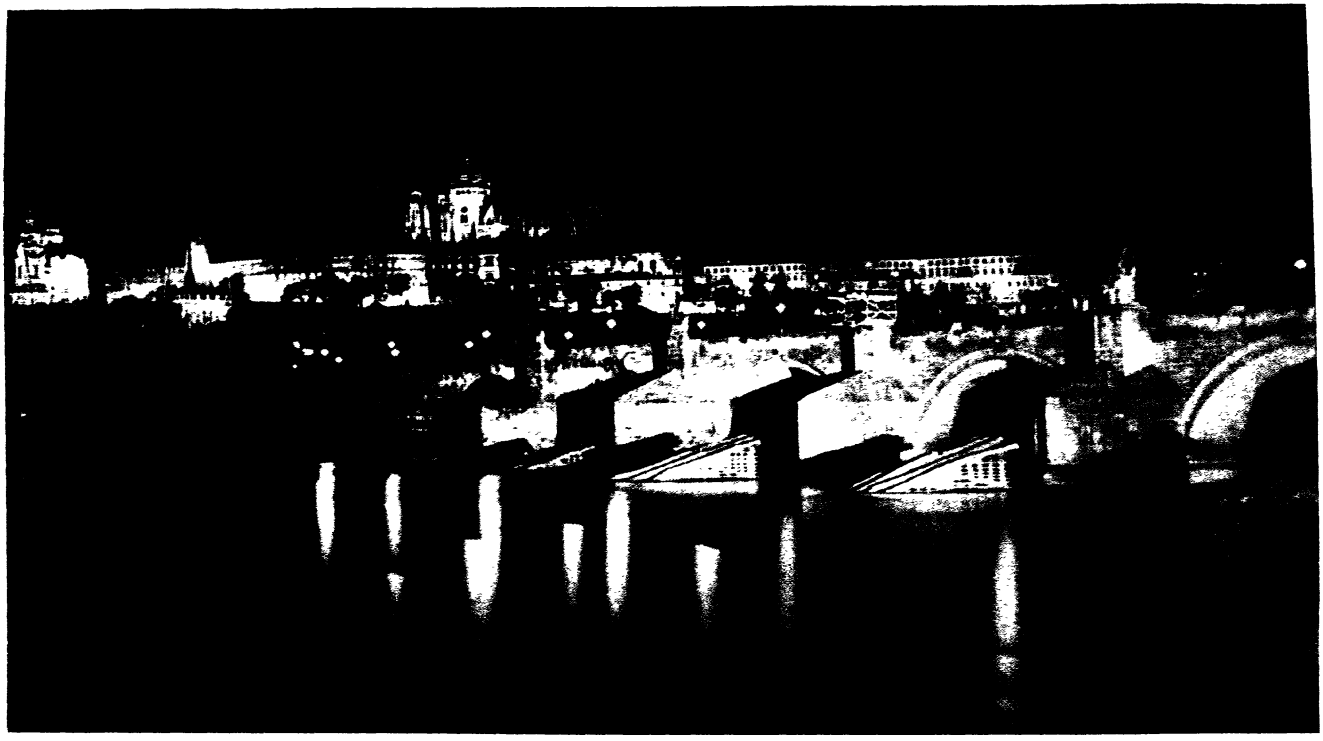
Many of the amenities of life in Denmark to-day are centralised, or communised. The strong individualism which is a feature of the British character, and which makes every Englishman want to have his own garden, his own bathroom, and militates against the success of any form of communal life or activity here, is not so strongly in evidence in Denmark. Hence, perhaps, the success of the co-operative movement in marketing the agricultural produce of the whole Danish nation.

The co-operative marketing organisation of Denmark has saved the farmers of that country from the fate which must have overtaken them in this world depression had those farmers faced the slump as individuals instead of as members of a single organisation within which, for marketing purposes, nearly 200,000 small landed properties are united into a single enterprise.

It was in 1882 that a few poor peasants in Jutland formed a local dairy society and built the first co-operative creamery. To-day there are 1400 dairy societies, handling nearly 90 per cent of the entire milk production of Denmark. And, it may be added, milk is bought from members only. It is delivered each day to the creameries, where the cream is extracted for butter-making and the " skim " milk returned to the farmers to feed the pigs.

I inspected one of those 1400 dairy societies, the " Langager " dairy near Olstykke. Established in 1888 with forty members owning 350 cows, this typical co-operative dairy now has 140 members owning 1100 cows and handles 3000 gallons of milk daily.

I watched that day's milk being handled. Upon delivery the milk was weighed and tested for content of butter fat and bacteria, and for general purity—the milk being paid for on



PRAGUE BY NIGHT
Showing the Cathedral, the old Palace and the Charles Bridge.

NEW WORKERS' HOMES AT PRAGUE

In these tenements each home consists of one or two rooms and kitchen.

the basis of these tests. A small quantity of milk goes to Copenhagen for sale as milk; the rest is made into butter and cheese for export. The members are paid every month for the milk delivered, and any surplus shown at the end of six monthly periods is divided among them on a basis of the supplies received from each farm.

The Danish standard of purity is admitted to be the highest in the world, but efforts are still being made, and encouraged by the government, to make it higher still. Hence the existence of the National Experimental Dairy at Hillerod, opened in 1923, where I watched scientists employed upon research work in the well-equipped laboratories. The problems upon which this government-owned dairy is working are of too technical a nature to explain here, ranging from an investigation of " Heyberg's mono-liquifying method and its applicability to determine the fat percentage of milk and dairy produce " to " the influence of some feeding stuffs on the consistency of butter ", but all the work has the same end in view—to maintain the supremacy of Danish dairy produce in the markets of the world.

Similarly, more than 80 per cent of the entire production of bacon and other pork is marketed through co-operative associations, while there exist 700 local societies for the collection, grading and selling of Danish eggs.

Having watched both bacon and eggs being prepared for the British market in the Frederikssund Andels Soineslagteri, one of the largest co-operative organisations in Denmark, I can affirm that I would prefer to see eggs prepared for the breakfast table rather than bacon !

That one bacon factory is at present killing a thousand pigs a day, four days a week.

The manager, Mr. A. E. Larsen, knows all that there is to know about pigs and bacon, and was justifiably anxious that an investigator who had travelled so far to Frederikssund should see every step of the process from the last squeal of the doomed pig to the moment when, having become two sides of partly cured bacon, the same animal was sewn into

hessian covers and loaded into the waiting railway truck for shipment to Britain.

Pig-killing is not pleasant work. Nevertheless, I could not withhold my admiration for the efficiency of that factory, and, I may add, the humanity of the methods employed in the first stage of manufacturing bacon.

The Frederikssund factory handled 20,000 pigs in 1894. This year it will accept delivery of ten times that number from its 5000 members. And there are sixty other bacon-curing plants dotted over the smiling face of Denmark, which during 1931 turned 7,000,000 pigs into bacon.

I watched 2000 sides of bacon placed in the salting tanks. Those 2000 sides came from 1000 different pigs. Yet each "side" came precisely within one of three categories of fatness and thickness. If it didn't, then it did not reach the salting tank. For the most amazing fact about the Danish bacon industry is that the pigs are grown by scientific feeding to fit into one of those three categories which experience shows to accord with the requirements of the British market. Thus has pig-raising been elevated by this system into something approaching an exact science.

At Frederikssund, the workers are paid 63/– for a 48-hour week during the first year; 65/– a week the second year, and 67/– a week after that period of service. In good times, these rates are augmented by overtime payments, which in 1931 averaged about 12/– a week. In addition to these high wages, the workers enjoy a greater security of tenure than the town worker to compensate them for living in an atmosphere of squeals, for when there are no more pigs to be killed in Denmark, then Shakespeare's immortal remark, made in another connection, will be true indeed.

The grading and packing of eggs has, like producing bacon, become an art. Denmark exports eggs in five grades —weighing respectively 14, 15½, 16, 17, and 18 lbs. per long hundred, and it is easier for a camel to get through the eye of a needle than it is for a second grade egg to get into a first grade case by mistake. It needs to be, for in the event of such

a mistake being reported to the Danish Government, the packing centre responsible for the error would lose its export license, and, at a stroke, hundreds of farmers would either have to transfer their membership to another packing station, perhaps further away from their farms, or find their market gone.

There are 1440 eggs in every case exported, and every egg has to pass a light-test to ensure that each is genuine new-laid produce and up to specification.

If quality alone ensured commercial success in the markets of the world, then those Danish co-operatives would be flourishing indeed, for the national temperament and the national interest have combined over a period of half a century to build up that "pattern" organisation upon which rests the prosperity of all Denmark.

But quality of production is no remedy for vanished consuming power in other lands, and even price reductions which have brought the value of Danish bacon back to the 1914 figure, and driven butter prices down even below those ruling in that year, cannot resuscitate trade strangled by tariffs, quotas and exchange restrictions.

From the men who are actually working, six days a week, to maintain the steady flow of agricultural exports from Denmark I learnt one or two facts which emphasise the truth of that statement.

For the first seven months of 1932, compared with the corresponding period of 1931, Danish exports of butter to Germany were down 50 per cent, to France 50 per cent, and to Switzerland by approximately the same amount. Exports of butter to this country, on the other hand, showed a slight increase.

In February, 1932, France and Belgium imposed a quota upon Danish produce which in a single day reduced exports to those countries to half the 1931 figures.

In the case of Belgium, this restriction reduced the amount of butter entering that country from 170 to 85 tons a week, and cattle from 1700 head to half that number.

In normal times over a thousand cattle were exported every week to Germany. Now that trade has almost ceased—killed by tariff barriers and the reduced purchasing power of Germany.

"We might just as well boil down our cattle and sell the fat for soap," a Danish farmer told me. "They are difficult to sell at all, and when a buyer is found, then the price does not repay the cost of raising them."

Just one more example of the dislocation of markets from which the peoples of Europe are suffering. For those workless millions across the German frontier would be all the healthier for a few slices of good Danish veal and beef. But the inexorable law of debtor and creditor forbids it. Germany cannot afford to wreck her Budget balance by purchasing more abroad. Her people could not afford to buy meat if it were imported to the peril of that Budget. So in Germany there is malnutrition, and in Denmark fat for the soap factories.

No wonder the Danish people look anxiously across the North Sea for signs of trade revival in Britain. And anxiously speculate concerning the effects of the Ottawa agreements upon Denmark's trade with this country.

For throughout the slump Britain has been not only Denmark's best customer—far and away the best—but also the one customer whose purchases have not been seriously curtailed. 1931 was not an easy year for Britain, but our imports of Danish butter declined only 3 per cent. Of 172,000 metric tons of butter exported from Denmark, 69 per cent went to England. In 1932, despite tariffs and a decrease of 5 per cent in the quantity of butter produced, exports to England are likely to be still higher in quantity—though not in value—for as other markets have been closed or restricted, Denmark's surplus has been sent across the North Sea. In some weeks the amount of butter reaching British ports has represented 90 per cent of the total amount exported to all countries.

So with bacon, two-thirds of Britain's imports come

from the sixty-one co-operative bacon-curing plants of Denmark. Over 200,000 smallholders would instantly suffer a serious diminution in their small incomes if that trade were restricted.

Small wonder, then, if those controlling Denmark's destinies sometimes glance nervously at those figures of that nation's imports and exports, showing that in 1929, the year before the slump began, Denmark sold 56½ per cent of her exports to Britain, and took only 14 per cent of her total imports from this country in return.

I saw abundant evidence of the fact that Denmark is genuinely anxious to see those figures adjusted in Britain's favour. If it were not so, indeed, it would be difficult to explain the alacrity with which she followed this country off the gold standard, thus protecting her exports to Britain at the expense of an increase of one-third in the prices of all imports bought from the countries still on gold, including Germany, hitherto enjoying a position at the head of the table of Danish imports.

Since that date, a drastic change has occurred, British imports into Denmark having increased for the first six months of 1932 by 12½ per cent despite a decrease of 20 per cent in total imports for the same period. By June, 1932, Britain headed the list of importing countries, having overtaken and passed the German figure.

British trade with Denmark is likely to prove increasingly profitable to Britain during the next few years, despite the reduced purchasing power of her people. While I was in Copenhagen negotiations were completed for the construction of the longest bridge in Europe—three miles long, eliminating a ferry service on the direct railway route between Zealand and Falster. The bridge, costing £3,000,000, will be built of British steel from Middlesbrough. From Lancashire comes news of enquiries for textiles. The manufacturers of agricultural machinery will benefit as soon as the prices which the Danish farmers obtain for their produce rise.

At present agricultural Denmark is a living object lesson of

the wisdom of "cutting one's coat according to the cloth". It would be so easy for any of those smallholders to spend more than they earn. The slump, which has hit them but not hit them too hard—thanks to that co-operative system—is always waiting round the corner to pounce upon those happy homesteads. It is so near that even their co-operative dairies and factories could not alone have brought them through these last two years had it not been for a powerful ally. That ally is represented by the millions of British homes in which, three hundred and sixty-five days of the year, breakfast consists of—bacon and eggs.

The historian of the Great Slump will record that it was a national habit, too deeply ingrained to be abandoned while any purchasing power remained, that proved the salvation of little Denmark and her peasant-farmers who work from dawn until dark, twelve months a year, producing Britain's breakfast.

CHAPTER IX

HOW INDUSTRIAL DENMARK IS FARING

BACON, butter, eggs and cheese—the products of Denmark's countryside—account for two-thirds of the entire exports of Europe's "model State". But what of the remaining third, represented by the exports of Denmark's 89,000 industrial factories and works?

The town populations of that country, in answer to the visitor's questions, tell the same story of declining production, lost export trade and mounting unemployment common to industry the world over during the past two abnormal years.

In Copenhagen the popular form of transport is the bicycle, and no one who has stood in the centre of the city at 5 p.m., when the workers are leaving the factories and offices, and seen the roads filled—literally filled so that other traffic proceeds only with difficulty—with thousands of men cycling to their homes like a plague of flies, could overlook the fact that for every smallholder in Denmark, there is a worker earning his living in industry.

Of Denmark's 300,000 registered trade unionists, only about 40,000 were unemployed in June, 1931. Working mainly, though not entirely, for the internal market, Danish industry held its own during the early stages of the depression. By December, 1931, however, the decline in peasant purchasing power and in external trade showed itself in the unemployment returns, the number of workless rising to 100,000, or 32 per cent of all organised workers. The latest detailed figure available, that for June, 1932, showed a slight improvement, 80,000 being idle at that date; since then unemployment has again increased and the number of workless in August, 1932, was almost as high as in the previous December.

A total of about 95,000 workless is hardly expressive of a real crisis in industry when compared with the figures to which Britain and Germany have grown accustomed, but that figure, translated in terms of declining industrial production,

shows that although Denmark has not known any " industrial revolution " to change the face of her smiling countryside, she is nevertheless suffering from the prevailing economic malady.

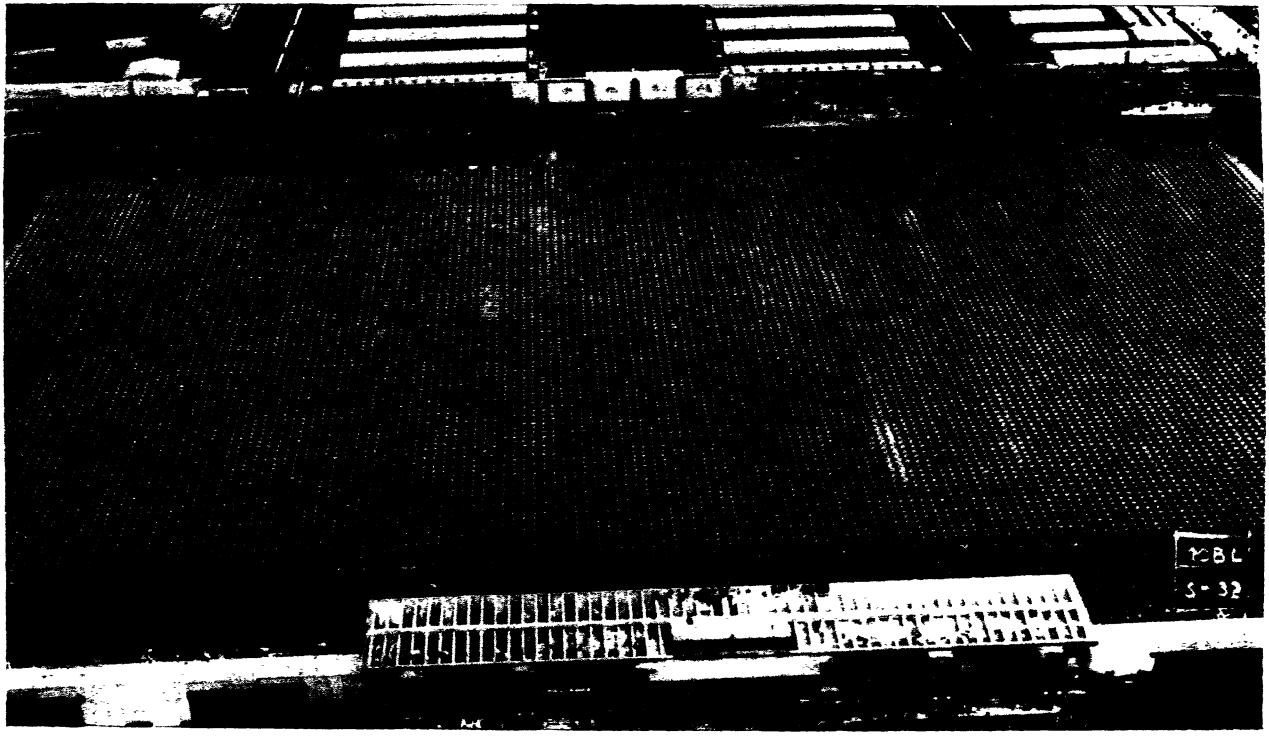
Among the industrial groups which suffered a substantial decrease in production between 1930 and 1931 were iron founderies, engineering works and shipyards, in which activity declined by about 30 per cent, cement works (35 per cent), sulphuric acid and superphosphate works (29 per cent), boot and shoe factories (21 per cent), rubber factories (18 per cent), motor-car factories (19 per cent), and—eloquent commentary upon reduced spending power—piano factories (24 per cent). Despite these substantial decreases, however, industrial production for 1931, averaged over the most important groups of Danish industry, was only 10 per cent below the 1930 figure, and equalled the 1929 output.

This satisfactory result was largely due to substantial increases in production in a few branches of industry, notably oil (13 per cent increase), soap and soda factories (15 per cent) railway material (25 per cent) and textiles (1·7 per cent).

The rapid rise in the unemployment figures which occurred towards the end of 1931 suggest that the figures of industrial production for 1932, when these are available, will show a further net decrease in industrial activity, although this may not be as great as the unemployment statistics suggest. For even the modest industrial equipment of Denmark is being rationalised, with the result that at times increased unemployment goes hand in hand with increasing production.

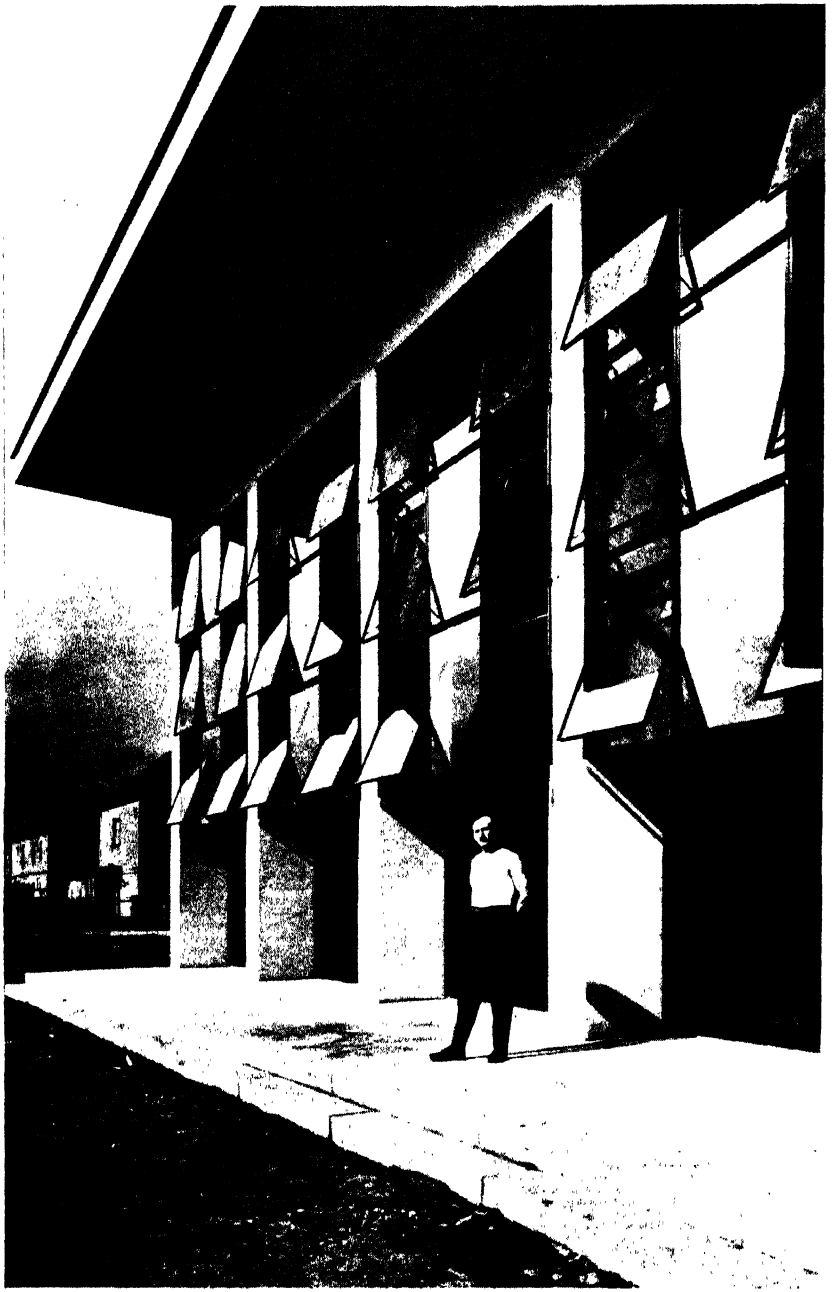
In the textile industry, for example, production increased during 1931 by 1·7 per cent, while during the same year employment in that industry fell by 2·9 per cent. A further indication of this tendency, common to all European industry to-day, is to be found in the fact that the entire production of Danish industry in the period from 1927 to 1931 increased by 17 per cent while the number of workers rose by only 11 per cent during the same years.

Exports of manufactured goods do not occupy the same



THE SOKOL FESTIVAL, 1932

A wonderful aerial view of the Stadium at Prague, showing 15,000 "performers" giving a display of mass gymnastics.



A VILLAGE SOKOL

A new gymnasium recently erected in a village outside Prague, with the instructor who will train the members. 750,000 persons belong to the Sokol movement.

item in other countries; therefore Denmark can face a prominence in the economic life of Denmark, as she does the drop of 20 per cent in that figure during 1931 with equanimity. The exact figures were 297 million Kroner in 1930 and 229 millions in 1931. Compared with the figure of 3800 million Kroner which the *Dansk Arbejde* estimated to be the annual national income of Denmark before the slump, that drop of 70 millions is infinitesimal. From the national point of view, it would be wiped out by a rise of a few pence in the value of each pound of butter exported.

The conditions of the workers who supply the labour force to Denmark's industries are typical of the general conditions in that country. There being no rich "plums" to attract the speculator, and industry not being subject to the alternating "booms" and "slumps" which are the lot of workers in many lands, the Danish workers enjoy, in part at least, the placid existence of the peasant population.

Wages have been reduced since 1925, but the reduction has been slight, and since the beginning of the world depression they have remained virtually unchanged.

Figures issued by the Danish Statistical Department show that the average wage of skilled workers is 1/7 per hour, of unskilled male workers 1/3 per hour, and of women 11d. an hour, giving an average wage throughout Danish industry of 1/4 per hour.

Translated into terms of the individual worker, while at Copenhagen I talked with a skilled engineering worker who was earning 63/- for a 48-hour week; a shop assistant whose earnings were 65/- per week, while the engine driver of the locomotive which carried me back to Germany earned 85/- a week, with certain payments for overtime and special allowances.

Enquiries which I made show that the average income of the skilled town workers of Denmark is about 3000 Kroner, or approximately £170. A careful computation, embracing a large number of families living on this income, recently made by the Statistical Department of the Danish Government,

showed that in the average family this income is allocated as follows:

Rent	£28 13 0
Food	54 2 0
Clothing, footwear and laundry	20 4 0
Fuel and lighting	7 16 0
Rates, taxes, subscriptions	23 12 0
Other expenses	38 12 0

While, as stated, money wages have on the whole remained steady during the last four years, the purchasing power of that household budget has been increasing with the fall in the cost of living. Taking 1914 as 100, the index figure for the cost of living at Copenhagen was 176 in 1927 and 1928, 173 in 1929, 165 in 1930 and 154 in 1931. On this basis, my friend the Danish engineering worker whose wage is £3 a week is earning the equivalent of £2 a week in 1914.

Standing with a civil servant on the outskirts of the city, and watching the cloud of workers cycling past, I was impressed by the fact that Denmark was the only city, of all those I visited, in which it is often impossible to distinguish a manual worker, even when wearing his everyday clothing, from a member of the middle class. There are, in fact, no classes in Denmark, a fact which anyone who has mingled with the crowds on a fête night at the Tivoli Gardens, or in the public parks, will confirm. Homes may vary in size and location, the standard of comfort may be higher in one section of society than another, but necessities are available to all. The high level of wages enables those workers to escape the worst effects, at least, of an industrial age, and to maintain a standard of living which from my observation is higher than that in countries where the degree of prosperity enjoyed by employers and workers is dependent upon the export figures.

As one Danish worker aptly expressed it: "When you are selling to yourself, you know where you are." The state of world trade to-day prompts me to add that when one

is forced to sell to other nations in order to live, in these days of restraints upon international trade, one never knows where you may be in a week's time.

Later, I went shopping with a worker's wife in an industrial suburb of Copenhagen, and noted the price which she paid for the foods purchased.

Rye bread cost 9d. for 4 kilogrammes; butter 2/4d. per kilo (the price of butter has fallen in Denmark to nearly half the 1928 figure); eggs 1/4d. for a score; veal 11d. per kilo; cabbage 3d. for 2 kilos, and potatoes 6/7d. for 50 kilos. Translated into English weights, meat and eggs were cheaper than in this country, and the other items cost about the same price as they would have done in an English industrial district.

For Denmark's workless there exists a system of unemployment insurance, administered by the trade unions. The Unemployment Relief Funds are financed partly by contributions paid by members and partly by State and Municipal subsidies. These subsidies vary in amount, being highest in the case of the funds established for the lowest paid trades. Where the average income of workers when employed is under 1500 Kroner (30/– per week) the State pays a grant equal to 40 per cent, and the Municipalities a grant of 30 per cent of the amount contributed by members of the fund. Where the average income exceeds 4000 Kroner (approximately £4 a week), the percentages paid as grants to the fund are 10 per cent from the State and 5 per cent from the Municipality.

The amount of the daily cash benefit paid to the workless varies considerably, the governing rule being that in no case shall the benefit paid exceed two-thirds of the average earnings of the worker in his or her own trade. An average figure would be 3/3d. a day, with a maximum of 4/6d. a day, for a married worker with a wife and two children. A single man receives about 1/– a day less.

No relief is paid for the first ten days of unemployment, and the number of weeks in any one year during which

benefits may be claimed is limited, the maximum period varying between 70 and 140 days.

Taking 1929 as a normal year, the sum paid out in unemployment benefit from all funds amounted to about 26 million Kroner, of which the members provided 16 millions in contributions, plus 3 million Kroner from a special reserve, and the State and Municipalities about 10 millions. The average contribution of each Danish worker to the unemployment fund is about 80/– per year.

Workers who have exhausted their right to unemployment benefit—and there are many in that category in Denmark to-day—are relegated to the Municipal relief funds (*Hjaelpekasser*). Assistance from this source does not entail the disabilities in regard to civic rights (such as loss of the franchise) which hit those assisted under the Poor Law. Since the world crisis reached Denmark, several Acts have been passed authorising these " relief funds " to disburse " extraordinary " benefits to those affected by the depression, and for 1932 it is probable that the amount paid out in a normal year—17 million Kroner—will have been greatly exceeded.

Such, in outline, is the machinery which exists to keep the wolf from the doors of the Danish workers. Apart from the fact that the unemployment funds are administered by the trade unions, there is a pronounced similarity between the Danish and British systems of providing for the victims of the depression, a similarity which extends to other services, notably to Old Age Pensions, to which all workers are eligible upon reaching the age of sixty-five. About 100,000 persons were enjoying these pensions in July, 1932, at a total cost to the Danish State of about £3,500,000 a year.

Having studied the organisation existing for the relief of unemployment in theory, I went to one of the offices at which benefits are paid out to see how the system works in fact. And once again I was impressed by the fact that destitution is unknown in Denmark.

The workless who passed in and out of that office, and

conversed in groups in the square outside, were indistinguishable from those other workers who still hurried home each evening after their day's toil. They were reasonably well-dressed, and unemployment had not left any mark upon their spirits. It was regarded more as an incident in their life's work than as a calamity, a full stop marking a period of real hardship before a new start.

It may be that behind the clean curtains which draped the windows of their homes there existed anxiety. If so, I did not detect its presence. Compared with the Berlin workless whose homes I had entered a few days before, the lot of the Danes seemed kind indeed. Nor did I observe, though I looked carefully, any of those pathetic subterfuges which the unemployed of Berlin and Vienna have adopted in an effort to make every pennyworth of food go further. But then, at Copenhagen there are no streets in which nine families out of ten are existing below the " hunger line ", as was the case in more than one street which I visited in Germany.

Partly this is due to the fact that Denmark is first and last an agricultural state, sharing with Canada, Australia, and New Zealand the distinction of being one of the greatest food-producing countries of the world. For every worker in Danish industry, there is a smallholding or farm in her countryside, producing the food by which Denmark lives. Were I asked to give a verdict on both those Denmarks — town worker and peasant proprietor—in a single sentence, I should say it is a land where " few are rolling in wealth and fewer wallowing in poverty—it is the land of the happy mean "

CHAPTER X

WHAT THE CZECH WORKERS TOLD ME

I HAVE met the peoples of Czechoslovakia. I met them —200,000 of them from every corner of that land— when I stood beside President Masaryk in the great stadium erected on the hill crowning Prague for the Sokol Festival of 1932, and witnessed the frenzied welcome of spontaneous loyalty with which that vast concourse greeted the Grand Old Man of Czechoslovakia. President Masaryk is now eighty-two years of age, and most of those eighty-two years have been spent in working for Czech freedom. The dream became reality in October, 1918, and since that date the one-time professor has been the beloved father of his peoples.

The Sokol Movement, founded seventy years ago, has become part of the cultural heritage of that country. It aims at both the physical and spiritual development of the Czecho-slovakian people, and in achieving that development it has proved a powerful instrument in promoting the political unity of the new-born State.

In nearly every village and community exist the gymnasiums at which all classes gather to take part in mass physical culture. There are fifteen of these gymnasiums in Prague alone. And once in every six years the whole of the Sokol organisations hold festival in the capital city, to which come delegates from every gymnasium in the country to take part in gigantic public displays of exercises. Such is the popularity of this national health movement that at each performance of the 1932 series, audiences numbering 200,000 gathered to cheer the thousands of "performers" who drilled, perfect patterns of disciplined movement, in the arena of that vast stadium.

The Sokol was my first meeting with the Czech and Slovak peoples—and it was an inspiring meeting. Significant, too, of the spirit of the most successful of all Europe's new States that the loudest cheers that sunny afternoon were those which greeted the erect, white-headed President who has

so wisely steered his nation through its first difficult years. Only the bonds of a real affection between the masses and their President could produce cheers like those.

That loyal welcome was doubly significant when it is added that the cheers came in a year when reduced exports, increasing unemployment, falling traffic returns, and rising bankruptcy figures all demonstrate how severely Czechoslovakia is suffering from the general trade depression.

The well-organised industries of the country have put up a big fight against the forces of stagnation. And perhaps because Czechslovakia manufactures the cheaper classes of goods, likely to appeal to an impoverished world, the nation has managed to balance its accounts. But only by stern sacrifices and economy. For the slump has hit Czechoslovakia hard—if not quite so hard as some other nations. It would indeed have been amazing if this new little country had escaped the economic blizzard which has impoverished and strained the resources of so many older and richer nations.

Czechoslovakia's best trading year since the country came into being was 1928. 1929 was still good. In 1930 the value of Czech exports of china, glass and leather goods to Great Britain still equalled the 1928 figure. While the trade of other industrial nations was contracting fast, the highly rationalised undertakings of Czechoslovakia were still doing "business as usual", or nearly as usual. And then, in December, 1930, came the depression. The number of registered unemployed rose rapidly from 103,000 in September, 1930, to 155,203 in November, and 231,000 by the end of the year.

From that date the repercussions of the slump upon those fertile valleys and busy towns of old Bohemia and Slovakia were swift and far-reaching. By June, 1932, if no citizen of that land was starving, thanks mainly to the wise social services and special relief schemes introduced by the government, there were 500,000 workless out of 2,300,000 organised workers (compared with the previous "peak" figure of 321,000 workless in 1923, during the inflation period), while

the national income had declined by 35 per cent in three years.

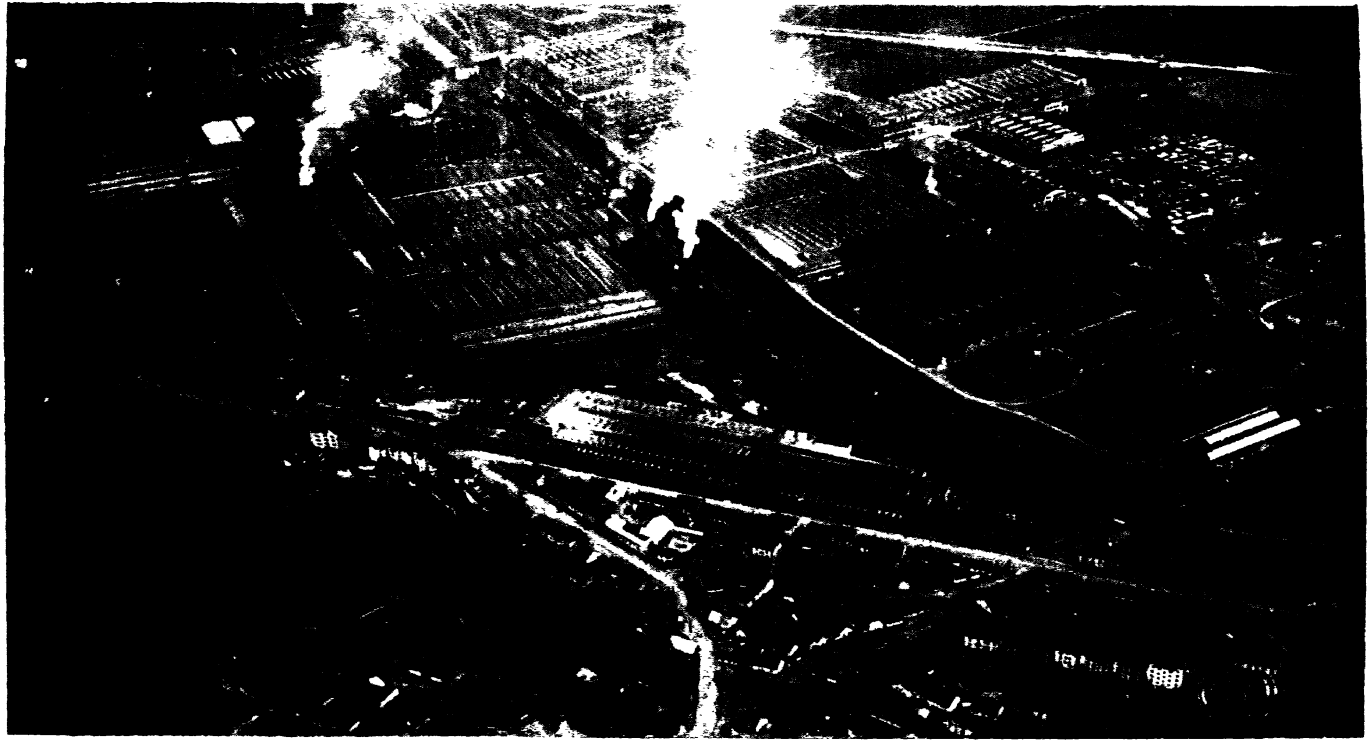
From some of the biggest employers in Czechoslovakia, and from the records of the Confederation of Manufacturers at Prague, I learnt something of what that wiping out of 7/- in every pound that Czechslovakia formerly earned means to the individual factory, in a land where wages and costs have always been low.

The industries which have borne the full blast of depression are textiles, china and glass, leather, metal and paper. These are the great exporting trades of Czechoslovakia, which have in the past two years contributed the largest contingents to that unemployed army.

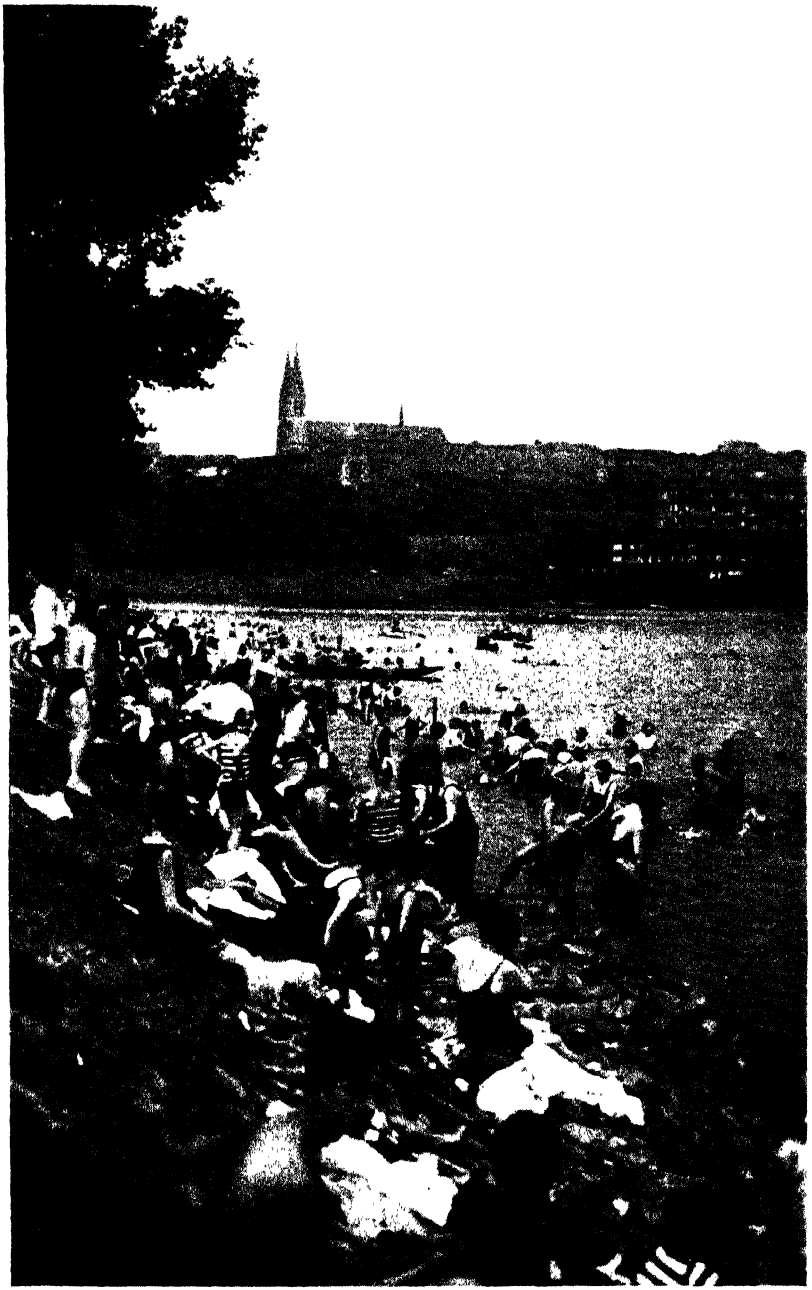
The textile industry, in which about 350,000 operatives are normally employed, is in a serious condition. Exports of cotton goods fell 34 per cent in value during 1931, and sales of woollens by 32 per cent during the same year. Sixty per cent of all the textile workers are unemployed, the industry's idle operatives representing 12 per cent of the total unemployed of the whole country. Many mills have closed down completely, and the majority of those still working are on short time. The fall in profits has been more severe than the export figure indicates, for the decline would have been more catastrophic had not firms been satisfied with smaller profits.

At the end of 1930, porcelain and glass works were producing to about 60 per cent of capacity. Since that date, owing mainly to the effects of increases in the United States customs tariff, and the tariffs imposed by Great Britain, there has been a further severe contraction of output, and in August, 1932, out of 120 glassworks, 40 were closed down completely and most of the remainder working short-time.

Exports of white china ware dropped by half during the twelve months ending June, 1932; exports of coloured ware by more than half. At the same date the important glass industry, which formerly supplied cheap glass goods to nearly every store in Britain, and which during 1930 had not suffered from the depression to the same extent as Belgium, the



THE GREATEST INDUSTRIAL PLANT IN CZECHOSLOVAKIA
A general view of the famous Skoda works at Pilsen.



WHEN THE SUN SHINES
Czechs enjoying mixed bathing in the river at Pragu

United States and Japan—the other glass exporting nations—was working to only 30 per cent of capacity.

Iron and steel exports declined from 189,000 tons in March, 1930, to 59,000 tons in March, 1932, a decrease of nearly 70 per cent. And when I was at Prague more furnaces were being extinguished for want of orders and production was still falling.

Production of boots and shoes has not suffered to the same extent, mainly owing to the reduced prices introduced during 1930 by the famous Baťa enterprise, but the export trade has been badly hit by American and British tariffs.

Following a visit to the Baťa factory at Zlin,[1] I spent a day at one of the smaller boot factories, situated at Prague. That factory formerly exported eighty pairs of shoes out of every hundred pairs made. To-day only ten pairs are exported out of every hundred. In plain figures, exports of 150,000 pairs in the twelve months ending July, 1931, were down to 20,000 pairs for the same period in 1932.

Typical of the factories engaged in manufacturing mainly for the internal market was the Praga Motor Works. This plant has a potential output of 10,000 motor-cars a year. From 1928 to 1931, 5000 cars and 300 five and three-ton lorries were made and sold each year, the total staff of both manufacturing and repair departments being 22,000 workers. Since 1931, the number of workers employed has been reduced by 25 per cent, and the output this year will be down in proportion—to 3500 cars.

Until January, 1932, the factory worked a 48-hour week. This year the five-day week had been introduced, with forty hours working time.

In other words, a tariff of around 45 per cent on imported cars has not proved high enough to maintain sales in a nation with a falling consuming power. The Czechs have not bought foreign cars. Rather the stern need for economy and the increasing doubts about the immediate future have caused many, despite the good roads and wonderful scenery which

[1] See Chapter XI.

makes motoring in that land such a pleasure, to avoid luxury expenditure.

Right down through the industries of the Czech State I heard the same story, from the great steel works to the small cottage industries. Only the famous Baťa factories have withstood the effects of the world crisis.

This great decline in the Czech "curve" of prosperity has occurred, be it noted, after only eighteen months of depression. What would happen if things got worse few people care to discuss.

What has happened speaks well for the good government of Czechoslovakia. In the first place the hardships which might have followed an increase of unemployment from 105,000 in 1930 to 633,000 in March, 1932, and 500,000 in July last have been largely averted, or at least mitigated, by the system of unemployment relief instituted by the Czech authorities.

The system in force in Czechoslvakia leaves the actual disbursement of benefits to the trade unions, the State contributing a sum equal to four times the union payment in the case of a married man who can show he has been a member of his union for five years, and three times in the case of single men and others, subject to no applicant receiving in benefits a higher sum than two-thirds of the amount of his last wage.

Enquiries which I made among the workless showed that under this "Ghent" system, the lowest benefit paid is 5 crowns (7½d. at normal rate of exchange) per day, and the highest 30 crowns (3/9). These benefits are paid for not more than six months, after which the applicant, if still unemployed, receives benefit for a further thirteen weeks from a special government fund. If still unemployed at the end of this further period, he is relegated to the municipal welfare department for assistance.

This system, which works well enough under normal conditions, has failed to provide for the persistent unemployment which has been the lot of many Czech workers

during the past two years. Out of 332,339 applicants registered as seeking work through the Labour Bureaux in June, 1931, only 82,759 were in receipt of Government or other grants at that date. In June, 1932, the number of applications for work had grown to 650,344, but in the same month the number in receipt of unemployment benefit was only 168,452. The remainder had either exhausted their right to benefits, or were ineligible to receive any grant from that source. In either case they were dependent upon savings, their relatives or welfare relief.

A Czech crown is worth 1½d. in English money on a gold basis, and about 2d. at the current rate of exchange. Before writing of wages and food prices, I would add that, measured in purchasing power, each crown is worth at least 2½d., judged by a comparison of the cost of living, including rents, with British standards. This high purchasing power of money in working-class areas explains what would otherwise be a paradox—the comparative comfort of the Czech workers on a level of wages which, according to statistics which cannot be denied, is lower than those of either France, Germany, or Britain.

That same high purchasing power also lies at the root of a lot of misconceptions concerning Czechoslovakia, and the labour conditions in that country, which exist in Britain. Many people believe, because the Czechs have, in the past, produced boots, textiles, glass ware and a whole range of other goods more cheaply than anyone else, that the working people of Czechoslovakia must work fourteen hours a day for a shilling or two. The critics who voice this opinion point to a pair of Baťa boots, costing 29 crowns (or 4/10d. at the present rate of exchange) as evidence that it must be so. The Baťa factories are not typical of industrial conditions in Czechoslovakia, any more than Henry Ford is typical of the whole of industrial America. But even were the reverse the case, that pair of boots would prove nothing. More evidence than the well-known fact of cheap prices must be produced before the charge of " dumping ", or bad labour conditions,

can be declared proven in these days of highly rationalised industry. Have not the German heavy industries increased their output per worker by 35 per cent owing to improved organisation—and reduced production costs by the same figure—since 1924? Yet until the depression swept across Germany, wages were not reduced, nor hours lengthened.

I heard those stories before I went to Prague, and I was anxious to learn the amount of truth that there is in them, and to report on the exact labour conditions which I found in the Czech State, whether good or bad. What did I find? The much-discussed Czech boot and shoe industry, following the introduction of a five-day week of nine hours a day by the Baťa factories, has generally fallen into line, and is working 45 hours a week. In other industries I did not hear of any man who worked for longer than eight hours a day apart, of course, from agriculturists. As for wages, it is only necessary to say that while the low cost of living does undoubtedly permit a little to go a long way in the shops of that country, the actual standard of well-being is higher in Czechoslovakia than in some of the countries which I visited.

What I did find in Czechoslovakia was a progressive nation, filled with happy, hospitable people, well housed, well fed, and governed since the foundation of the State by a coalition in which the Social Democratic Party has a leading place. As for those mythical fourteen hours a day, it is only necessary to remark that Czechoslovakia ratified the Washington Hours Convention, limiting the hours of work in factories to eight hours a day, some time ago, and that convention is being observed throughout Czech industry. Further, Czechoslovakian law provides for compulsory insurance in respect of sickness, maternity, invalidity, while provision exists for old age and widows' and orphans' pensions, and for an annual holiday, with pay, for all workers.

The trade unions are very strong, about 60 per cent of all workers being organised, a fact which is not surprising

when it is remembered that unemployment benefits are distributed directly by the unions, and not through Labour Exchanges as in this country. At the end of 1929, there were 609 trade unions in Czechoslovakia, with a total membership of 1,390,962 males and 324,231 females. The majority of these unions are organised in political groups, the most powerful being the Social Democratic group of 75 unions with 600,000 members. The National Socialist Party has 62 unions with 286,000 members in 1929, and the Communists 10 unions with something less than 100,000 members.

It is clear, therefore, that the workers of Czechoslovakia not only enjoy social services comparable with those existing in Britain, but that the trade union movement is sufficiently powerful to defend the standards of life to which the workers are, in normal times, accustomed. It is, of course, well known that wages have always been low, judged by the standards of some other countries, but if the comparison is made between the standards of the Czech worker to-day, and in the past, it would not be unfavourable to those controlling the industries of the Czechoslovakian State.

Taking the purchasing power of each Czech crown as equivalent to 2½d. in English money as a basis for detailed figures, an engineering labourer in Czechoslovakia earns 10d. an hour, or about 40/– for a 48-hour week, and a toolmaker 60/– a week. Converting those wages to money values in Czechoslovakia at the normal exchange rate of 1½d. per crown, however, we find that the Czech employer pays an engineering labourer 25/– a week, and a toolmaker about 37/6. Textile workers earn from 6d. to 8d. an hour, based upon purchasing power at British prices, and miners 5/– to 5/6 for a day of seven hours—or, more correctly eight hours counting half an hour for going down and the same time allowance for coming up from the pit.

The trend of wages in Czechoslovakia in recent years is shown by official figures of average weekly wage-rates covering thirty-two different branches of industrial activity. These figures, complete up to April, 1932, emphasise the

modest but steady upward rise in wage-rates which has taken place:

Year.	Average weekly wage in Czechoslovakian crowns.
1923	187
1924	188
1925	191
1926	194
1927	194
1928	204
1929	209
1930	214
1931	215
1932 (April)	215

Thus in April, 1932, the average wage for a week of 48 hours was 26/10d. measured by the gold value of the Czech crown, but 44/9d. when measured by the truer index of the purchasing power of those crowns in the shops of Prague, as compared with British prices—and the cost of living in the provincial towns is lower than at Prague.

It will be noted that up to that month the depression had not resulted in any reductions in the rates of pay. There has been no general decrease in wages—as wages. Such reductions as have taken place have affected only small numbers of workers, owing to the existence of collective agreements. The results of the slump upon working-class incomes have, nevertheless, not been negligible. Large numbers of workers have been dismissed owing to the contraction in production. Many have suffered a reduction in the number of working days or hours per week. And yet more have lost a portion of their incomes owing to a " bargain " made with the employers in 1928. In that year, demands were made for increases in basic wage rates in many industries. Some of these demands were granted, as the table above indicates. In many cases the employers, perhaps scenting bad times from afar, refused to increase the basic wage rates, but agreed to pay an additional cash " bonus ", it being understood that in the

event of profits declining in the industries concerned, the bonus would decline in the same proportion. Basic wage-rates remain the same to-day as then, but the "bonus" has gone.

An exception is the mining industry. In all countries the miners seem fated to bear the brunt of every depression which comes along, a fact which may be explained, of course, by the increasing use of alternative forms of power and fuel, which has intensified the fight for markets. Czechoslovakia is no exception to the rule. The production of black coal in 1930 had already declined by 12 per cent compared with 1929, and since that date a futher decline has taken place. In an effort to restore the position and in conformity with the wages of miners in other lands, wages in Czechoslovakia have been reduced by 10 per cent and the average earnings of the Czech miners to-day are no more than 28/– a week, based upon purchasing power, or 20/– a week in actual Czech currency at the normal rate of exchange.

I learnt more concerning the standard of living of the Czech workers in the home of a skilled engineer, earning 40/– a week.

The first thing which would strike the British visitor who entered that home was its size. It consisted of one room and a kitchen. In that space lived a family of three. Later I was to discover that in this respect the housing conditions of the whole Czech people differs materially from the British standard. Very few workers, however well paid, occupy more than a single room. That is the standard to which they are accustomed by habit. The "parlour" is unknown in Bohemia. The employer for whom that engineer worked, and who is conversant with British housing standards, admitted that the Czech standard is in this respect not higher than one-third of the British level.

Flats and not houses are the fashion in all classes of society. Were the government to provide each Czech worker with typical British council houses, containing an average of four rooms, it would constitute a complete revolution

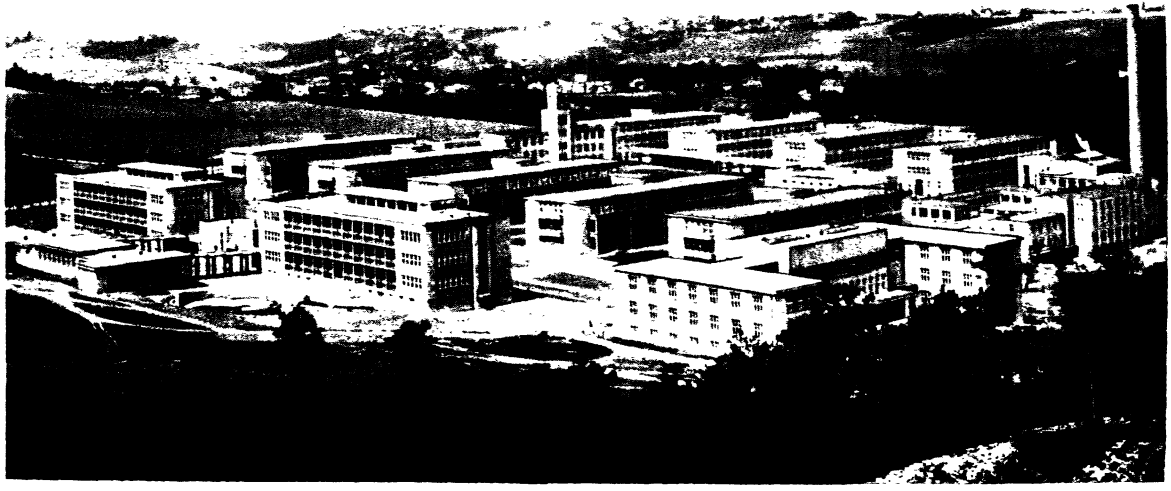
in all known housing standards. Judged in the light of present accommodation, the figure of one " home " for every four persons mentioned to me by a goverment official, means that in Czechoslovakia generally each family of four possesses one room and a kitchen.

If homes are small, rents are low. Based upon the gold value of the Czech crown (1½d.), a home in the suburbs of Prague consisting of one room and kitchen costs the tenant on an average 3/6d. a week if " controlled " under the Rent Restriction Act (confined to tenancy agreements signed before April, 1928, in respect of houses built before January 28, 1917) and 8/– a week if " uncontrolled." For two rooms and a kitchen, the average rent is 5/2d. a week in the case of " controlled " houses and 12/– a week if unprotected. In provincial towns rents are as low as £5 a year.

Exploring the housing conditions further I visited new buildings erected this year on the outskirts of Prague. Mass building and low land cost had enabled the capital charges of these Vinohrady flats, each possessing one room and kitchen, to be kept sufficiently low for them to be let at an " economic " rent of 7/– a week.

Two hundred flats had been completed when I visited the property and more were in the process of construction. Each flat was equipped with central heating and electric light, and each block with excellent communal laundries. The equipment of these flats certainly emphasised the wide gulf between the rents made necessary by high building and land costs in this country, and what is possible in Czechoslovakia. In this connection it was interesting to learn that the price charged by the Prague Municipality for land intended for workers' homes is in many cases only 20 per cent of land costs in rural districts of the country.

The engineer whose home I first visited spent only 10 per cent of his income, or 4/–, in rent. Food for his family of three absorbed 30/–. The menu, supported by an inspection of the larder, consisted of flour, potatoes, smoked meat, sausages, butter, sugar, cakes (the Czechs as a nation have a



THE NEW MASARYK HOMES NEAR PRAGUE

Accommodating 1500 old people, and containing hospital, sanatoria and swimming baths for young children, these homes are an interesting example of modernist architecture applied to social welfare.

AN IMPORTANT CZECHOSLOVAKIAN INDUSTRY

One department of the great iron works at Vitkovice.

" sweet tooth ") and beer. The beer, I may add, costs 2d. a pint, and is the best in Europe.

Out of these ingredients, the housewife had prepared meals for that day consisting of:

Breakfast. Bread and coffee.

10 a.m. Soup and black bread.

Dinner (eaten at noon). Meat, dumplings, cabbage, beer.

Supper. Sausage, bread and beer.

The other items in the household budget, apart from incidentals, are clothing and amusements. As for clothing, a good " Sunday best " suit costs 60/–, a pair of boots only 5/–, thanks to the late Mr. Baťa.

Amusements cost little. The daily beer in a café costs a copper or two. The price of a cinema seat is from 7d. to 9d. There are numerous concerts, admission to which is as low as 2d. per person. But more important than these, in the opinion of the mass of the Czechoslovakian peoples, are the facilities offered to them by the Sokol movement.

There are 750,000 members of Sokol organisations, and every member enjoys the use of a building containing gymnasium, reading-room, club, and often a cinema as well, for a sum of five crowns (7½d. at normal exchange rates) per month. The Sokol organisations also encourage sport, including football.

In the great stadium above Prague I had witnessed the Sokol festival. But it was in a little village thirty miles away, where a single engineering works provided employment for the inhabitants, that I saw the beginnings of a new Sokol. There I was the first visitor to a gymnasium which had just been built for a group of athletes numbering only thirty. Each paid only 7½d. a month to the funds, and for that had the use of a magnificent building, which had cost 500,000 crowns to erect and contained a magnificent gymnasium hall, a club and a cinema, and the services of an instructor.

These Sokols receive no subsidy from the State. To finance the erection of a new branch of the movement, the

members collect money in various ways, such as giving cinema shows locally, and the banks advance money on mortgage at a low rate of interest to enable the hall to be built. Once a new Sokol is launched it becomes the ambition of every member to develop his physical fitness to the point at which he will be selected to take part in the next national festival.

The Sokol movement is probably the most democratic institution in Europe. Among those 750,000 members are to be found men and women of all classes. All of them, whether government officials, workmen or employers, attend the nearest gymnasium and train together—just as fifteen years ago all classes of Czechs fought and worked together for the freedom of their country. This spirit of unity is standing the new State in good stead to-day, when the world-wide depression is playing havoc with their national prosperity.

At the Tip Top Shoe Factory, one of the Czech boot factories formerly working largely on the export trade with Britain, I learnt more concerning what life means to-day for the workers of that land.

That factory produces 1000 pairs of shoes a day, and a walk through the manufacturing departments would dispel many illusions held abroad concerning "cheap" Czech goods. In one workshop I watched women's shoes being made for export to the United States. The selling price of those shoes was 45 crowns, or 9/– a pair, judged by the value of the crown inside Czechoslovakia, but only 5/7d. a pair, calculated on the cost of purchasing those 45 crowns from an American bank.

There was no sign of sweated labour. The workshops were airy and dust-free. The managing director, who escorted me round the factory, was obviously on the best of terms with his workpeople. The hours of work were nine hours daily for a 5-day week, and the employees, mostly women, were obviously contented and well fed.

In another part of the factory a consignment of women's sandals were being packed for export to London. That

order—for 10,000 pairs—had been secured over the British tariff wall, in competition with British manufacturers whose price had been lower than the Czech estimate. But the order had gone to Czechoslovakia because *at the price*, and for cheap shoes, the purchasers evidently considered that the quality and finish of the foreign shoe was superior to its British rival. This instance of the benefits which the large Czech factories have secured from mass production does not support the complaint, sometimes heard, that Czechoslovakian shoes are inferior. It does show the advantage which the manufacturers of that country gain from the low cost of living.

The women employed at the Tip Top factory earned, on an average, from 25/– to 40/– a week, and the male operatives from 40/– to 60/–, again in terms of purchasing power. That is to say, their actual wages would provide them with a standard of living which could be bought for those amounts in Britain. But the actual wages paid, calculated on the *present* British exchange rate of the crown, were from 20/– to 35/– for women, and from 35/– to 50/– for men. Two years ago, when Britain was on the gold standard, and each Czech crown cost our importers only 1½d., the distinction was even greater. Then the wages, calculated at par, were from 15/– to 30/– for women, and from 25/– to 35/– for men.

I set out these figures advisedly, because they reveal at a glance why Czechoslovakia can sell at low prices to other countries. Were rents, and other living costs, in that country adjusted to the British cost of living, either the conditions of the people would deteriorate, or wage-costs would have to rise to an extent which would cripple the export trade of Czechoslovakia.

At the Praga motor works, skilled engineers were earning 10 crowns per hour, or 400 crowns for a 40-hour week. That wage means an equivalent of 50/– a week to the employer but gives to the worker earning it a purchasing power equivalent to about £4 in this country.

Women employed in the plating, upholstery and body-

building departments were earning from 3·50 to 4 crowns per hour—20/– a week in Czech currency at par, and about 33/– measured in purchasing power. The distinction is not of great importance to firms manufacturing for the internal market, and which must sell their products cheaply to conform to the general cost of living in that country. But from the point of view of the exporting industries, the high purchasing power of the Czech crown has acted as a " subsidy ", which has enabled them to compete successfully in the markets of the world.

No juggling with money values, however, can circumvent completely the jungle of tariffs, quotas, and exchange restrictions which exist in Europe to-day. Hence that drop of 35 per cent in Czechoslovakia's national income in three years.

That vanished trade will not be regained until the whole problem of Central and Eastern Europe has been satisfactorily solved. For Czechoslovakia, whatever her political sympathies, is still and must remain, economically, a part of the old Austrian Empire. Her industrial fortunes are, by the accident of geography, definitely linked with those European nations—Austria, Hungary, Jugo-Slavia and the rest—in which the effects of the depression have been felt with especial severity. It is a tribute to the important position which this new nation occupies in industrial Europe to say that only when normal financial and trading conditions have returned, and the Succession States have discovered the panacea for unbalanced budgets and financial instability, will Czechoslovakia know that the worst is past, and that her interrupted progress to a greater prosperity can be resumed.

CHAPTER XI

ZLIN—THE TOWN THE SLUMP FORGOT

IT was in the new cemetery just outside Zlin, an isolated township situated in one of the valleys linking the plains of Moravia with the Carpathians, that I stood before the grave of the most remarkable industrialist Europe has produced for a generation. Around that mound of earth were heaped wreaths in profusion—floral tributes from the Ford factories in the United States, from governments, from names famous in commerce the world over. Thus the industrialists and workers paid a last tribute to the man whose career earned for him the title of " the Henry Ford of Europe "—Thomas Baťa, the Czechoslovakian boot " king ".

There were only three graves in the cemetery on that summer morning. The first was that of a peasant lad who had been employed in the amazing Baťa factory down in the valley. The second contained the mortal remains of the pilot who had crashed to death with his chief when the aeroplane in which they were setting out for Switzerland crashed into one of the chimneys of the very factory raised by the genius of the boot " king ". And the third—the grave which is to-day a place of pilgrimage for all who visit Zlin, is the grave of Baťa.

From that grave I returned to Zlin, to the fifty-five Baťa factories—the factories which had brought those tributes of sympathy and admiration from the ends of the earth.

Nothing quite like this Baťa organisation exists anywhere else in Europe. To find its counterpart one would have to travel to Detroit. And even that journey would be made in vain to-day, for whereas the kingdom of Ford is suffering severely from the industrial crisis, the kingdom of Baťa is creating new records in industrial production.

There is no slump at Zlin. Two hundred additional workers had been engaged by that greatest boot factory on earth during the week of my visit. In 1929, when the world slump crept over Europe, Baťa was making 70,000 pairs of boots and shoes a day. In January, 1932, that figure had

grown to 165,000 pairs a day. By June, 1932, it had crept up to 180,000 pairs a day. And for the five days previous to my visit (there is a 5-day week at Zlin) 1,000,000 pairs flowed from that plant to the Baťa retail shops and customers spread all over the world. And I was told by the management that " they hoped to turn out even more shortly " !

Two hundred thousand pairs of boots a day. One million pairs a week. Fifty million pairs a year ! How is it done in the middle of the worst trade crisis in history ? More remarkable still, how are purchasers found for that torrent of boots and shoes with which Zlin is flooding the impoverished world ?

The clue to the secret lies in that word " impoverished ". The Baťa plant turns out boots and shoes of every description, for people of all tastes, for men, women, and children. But all those millions of boots and shoes are alike in one respect—they are the cheapest—in price, not quality—ever made. And there is evidently plenty of demand in a world with a falling standard of living for cheapness.

The lowest-priced shoes turned out of that factory are for babies and cost 5 crowns, which is 7½d. per pair at the normal rate of exchange. The most expensive cost 69 crowns, or 8/6d. per pair. In 1924, the cost of that most expensive line was over double that figure. The reduction in the price of Baťa shoes has not been achieved by wage " cuts ". The average wage of the Baťa workers has been steadily rising since that date. It has not been achieved by increasing the length of the working day. Since the depression began, a 5-day week of nine hours a day has been instituted at the factory. It has not been achieved by any decline in the quality of the boots and shoes made. In the Baťa factories there exists a three-fold system of inspection, and defective workmanship means lower earnings for the workers responsible. The continuing decrease in the retail prices of Baťa boots and shoes (until his death fixed for every " line " by Thomas Baťa himself) is due solely to the adoption of new and improved methods of mass production. The Baťa plant

has been " rationalised " to the point at which, instead of Baťa experts learning from Henry Ford, it is probable that Henry Ford could take a few hints from Zlin. Indeed, the inhabitants of that boot city object to hearing their greatest citizen described as " the Henry Ford of Europe "—they prefer to call Ford the " Baťa of America ", a subtle but important distinction.

Their admiration for Thomas Baťa is natural. When the greatest industrialist of Czechoslovakia was born at Zlin in 1876, the son of a poor shoemaker, that village was situated in one of the most remote and poverty-stricken regions in the Austrian-Hungarian Empire. The only occupation available for the peasants was land work, in which wages were barely high enough to provide home and food. The standard of living was as low as could be found in any part of Europe. Social amenities, represented to-day by the Baťa staff stores, restaurants, hospital, parks and housing estates, were non-existent. It is important, in order to form a correct estimate of Baťa's achievement, that these facts should be kept in mind. When, in the early days, Baťa was charged by foreign manufacturers with employing " cheap labour ", he could answer, with some justification, that in life all things are relative, and that if earnings in his factories were not as high as in British and American boot factories, they were immensely higher than anything known in the neighbourhood of Zlin before he erected his first workshop. Whatever his competitors might say, the workers themselves regarded Thomas Baťa as a benefactor. Had he not built the factories, bought the machinery, and devised the mass production methods which had doubled, and trebled their income, while at the same time keeping the price of each pair of boots below that of all rivals?

Thomas Baťa was born into the boot business. His childhood was spent in working for his father in the family cobbler's shop, and in seeking customers for the boots which they so laboriously made by hand in the market-place. When still young, he sensed the lack of opportunity at Zlin, and went to Vienna. That great city had nothing to

offer the ambitious cobbler's son, and at sixteen he was hawking boots in Prague, sending the orders he secured to his father back in Zlin.

In 1894 he made up his mind to manufacture boots for himself, and so, at the age of eighteen, began Thomas Baťa's second association with Zlin. For it was to that village that he returned and set up his workshop, with an initial staff of fifty journeymen.

That workshop was a beginning, but only a beginning. For Baťa had his dreams. And behind all those dreams lurked one fact, upon which in later years he founded his whole organisation. The world production of shoes, according to Baťa, was only 900 million pairs per year, even in the pre-slump year of 1928. Whereas there are 2000 million human beings walking about this earth. Let them all be shod properly, allow only two pairs of shoes per year per person, and 4000 million pairs of boots and shoes would be consumed in every twelve months, or over four times the highest world output.

Why, asked Baťa, are not 4000 million pairs of boots and shoes bought to-day? Is it because so many pairs are not produced? Or is it because that number of pairs cannot be produced at a price low enough to enable those formerly content with one pair a year, or none at all, to buy? He decided that there existed a potential market for his wares which was, for practical purposes, limitless *providing the goods were cheap enough.* And, basing his whole career upon this conclusion, he subordinated his organisation to the task of producing not merely boots but cheap boots.

How remarkable was his achievement is shown by the following figures published in a recent report[1] on the Baťa organisation:

In 1924 the average selling price per pair of all boots produced by Baťa was 99 crowns, and the average weekly

[1] *The Baťa System and its Social Consequences.* International Labour Review, January and February, 1930. I am indebted to the author of this report for some of the facts concerning the growth of the Baťa factories included in this chapter.

wage of adult workers employed at Zlin 205 crowns, plus 50 crowns representing amount paid out under the profit-sharing scheme. By 1926 the average selling price per pair had been reduced to 69 crowns, and the average wage increased to 240 crowns plus 80 crowns paid out under the profit-sharing scheme.

In 1928, before the industrial depression spread across Europe, the average selling price was down to 55 crowns per pair, and the average weekly wage had again increased to 480 crowns plus 90 crowns payment under the profit-sharing scheme. For 1932, when figures are available, it will be found that the average price is about 45 crowns per pair, while the wages earned by the Baťa workers range from 250 to 800 crowns, with an average wage of around 550 crowns.

Translated into English currency at the normal rate of exchange, these figures mean that the lowest wage paid at the Baťa factories to-day (to women workers) is 31/3 per week, and the highest 100/– per week. But in terms of purchasing power, and in view of the low living costs at Zlin, as compared with Britain, those wages are worth, to the Baťa workers, at least 52/– for the lowest and £8 for the highest. Again that "margin" commented upon in the previous chapter between prices in terms of foreign currency and in terms of internal purchasing power, comes to the aid of this factory which is, of course, mainly manufacturing for export.

Ten years after the opening of that first little workshop, Baťa built his first factory, installed machinery, and began the second stage of his career by manufacturing cloth boots for sale in the Danubian territories. And it was typical of the man that he chose this moment to go to America, where he secured employment as an ordinary worker in the highly organised boot factories of that country, and learnt whatever was likely to be useful to his own plans concerning American methods.

From the moment of his return to Zlin dates the progress

which has transformed that village into an industrial city.

The war, which because Zlin was within the frontiers of Austria, cut Baťa off from all his export markets, nearly ruined him. He turned his methods of mass production from cloth boots for peasants to leather boots for the Army. He secured improved machinery and more capital, and in 1917 was producing 10,000 pairs of boots a day with 4000 workers.

The after-war difficulties which marked the first years of the Czechoslovakian Republic, including the inflation period and the stabilisation of the Czech crown in 1922, made hard thinking necessary. In order to revalorise and stabilise the Czech currency at the figure decreed by the government, a drastic reduction in the home price level was necessary, or export markets would have been lost all round.

The Czech Minister of Finance, Rašin, appealed to manufacturers to "cut" both costs and prices in order to bring them into relation with the new value of the national currency. Baťa was the first manufacturer to answer that appeal. He announced an immediate reduction of 50 per cent in the selling price of his boots, and a reduction of 40 per cent in wages. At the same time he reduced the prices of the necessities of life sold in his staff stores by 50 per cent. At one stroke this remarkable man doubled the value of money in Zlin.

The following year, in 1923, he completely reorganised his factory and introduced the system of payment according to allotted tasks, and independent selling agencies, which have been the most striking features of the Baťa organisation since that time.

At this point the number of workers employed had sunk to 1800—the lowest number since 1914—while the number of pairs of boots and shoes produced each day was only 8000. In 1924 these figures rose to 3000 workers and 14,000 pairs of boots and shoes daily; in 1926 they had become 6000 workers and 35,000 pairs; in 1928, 12,000 workers and a daily production of 75,000 pairs, while in many parts of

Eastern Europe the wearing of national costumes, dating back hundreds of years, was declining because Baťa shoes were replacing more picturesque, but less serviceable, footwear. And with Baťa shoes came "Western" clothes!

In five years the average production per worker employed had risen from 4½ to more than 6 pairs a day. It is that increase in production per worker which explains the fact that during the same five years, as I have shown, the average price of Baťa boots was falling every year. That achievement is all the more remarkable when it is mentioned that the cost of raw materials make up 80 per cent of the cost price of Baťa boots. Labour costs, capital charges, management expenses, lighting, heating, insurance, and all other expenses averaged over the whole production amount to only a few pence per pair.

The Baťa factories to-day consist of fifty-five separate buildings, each factory being autonomous and performing its allotted task for payment based upon the estimated time necessary to reach completion. The whole system is divided into 250 self-controlled departments, each with its own resources and accounts, and each working as a separate unit, subject only to the final word on any question of output or policy resting with the management. Each of these departments debits and credits its neighbours with the goods delivered and received. By this system each workshop "buys" its materials from the department next before it in the chain of production, and, having performed its one allotted task, passes the goods on to the next department in the chain, charging them at cost price plus the agreed payment for its services.

Nearly all the factories are rigidly standardised in design—consisting of three-storied buildings with a flat roof.

By standardising the design Baťa was able to build his factories at lowest cost, and also to compare the output of each factory and, by healthy rivalry, increase production.

As I walked from one factory to another, electric trolleys over my head were carrying material in various states of

completion from one section to another—part of that day's 200,000 pairs of boots which would be completed between sunrise and sunset.

Each of those buildings is mechanically equipped to produce its share of the day's output, if working at the regulated speed without mechanical or unexpected stoppages. A second lost during any process of manufacture means lower production and higher wage costs. Therefore the speed of the conveyor line, and the speed necessary for a competent workman to perform each task, is adjusted with meticulous care. Any machine failure, which by stopping the conveyor dislocates the work of all the departments coming after the department affected, is instantly reported to the repair shop, where engineers wait in readiness, like firemen, to rush to the rescue and minimise the delay. The Baťa system is manufacturing expressed in terms of split seconds, and it is the split seconds which have enabled Baťa boots and shoes to be sold at ever lower cost.

Over the head of each worker is a plate showing his or her name, how many soles or other parts turned out daily, and how long the worker has been employed at the factory. One woman operative with whom I talked—named Philipita, aged 37—had been employed at the Baťa factory for eight years. She was making soles for women's shoes and her daily output was 15,000. I may add that she looked happy and smiled on noticing the interest with which the foreigner watched her deft fingers at work. In another department a man of about forty years of age was turning out part of his daily " ration " of 20,000 soles for men's boots.

The same sub-division of labour and the same second-saving efficiency extended throughout the factory. One entire department was devoted to women workers whose sole task was to smear the leather with oil. In some departments, men were engaged in sewing " lefts "—the left shoe in each pair. The " rights " were sewed by another department which dealt only with the right shoe of each pair. Slowly moving trays passed the shoes along from one worker to

another. No worker had to move or even stretch out his or her hand. No time or energy was wasted at any point in the journey of each pair of shoes from the leather-cutting department to the packing sheds.

They are used to visitors, those Baťa operatives, for, every working day, hundreds of visitors, of all nationalities, journey to Zlin to be conducted over those clean, well-lit workrooms created by the organising ability of one man.

The workers were wearing every description of clothing. Dress must be one of the few things not standardised at Zlin. Some of the men wore long trousers, some a sort of baggy " plus fours ". Some wore caps. Some worked with rolled sleeves, some in overalls with arms covered. Most of the women wore blue and black overalls and had their hair covered in kerchiefs. There was one " controller " in each workshop, but he was there to give advice or help, and not to bully, and the workers stood in no fear of him. The Zlin system, indeed, provides its own urge to get the highest production at every stage of the operation. The 9-hour day is calculated, not on the clock, but upon completing a task which investigation has shown can be done in that time. And as the " feeding " of each worker and each department depends upon time-keeping elsewhere, stoppages or " slacking " would disorganise a whole production unit and penalise all the other workers in the " gang ". For this reason the foremen in charge of each unit are quick to detect unsatisfactory or slow work, and they have power to dismiss the worker responsible or take any other disciplinary methods necessary to maintain production.

The ages of the workers varied from sixteen to sixty-five, but in the offices I noticed some boys who could not have been more than fourteen or fifteen years of age. They were there learning the routine. Thomas Baťa's son has worked as an ordinary operative in all departments of the factory.

I have mentioned that the wage rates paid by the Baťa firm have increased materially during recent years.

" At the beginning of 1928 ", states the author of the

report upon the Baťa system published by the International Labour Office, " holding that a man who had reached his majority ought to be able to earn 80 crowns a day, so as to save and satisfy the needs of his family, Baťa devised a new classification and divided his staff into four categories, namely :

Men over 21 years (45 per cent of the staff)	480 crowns.
Women over 18 years (16 per cent)	240 crowns.
Youths under 21 years (26 per cent)	210 crowns.
Girls under 18 years (13 per cent)	150 crowns.

Since that date, wages have again increased to correspond with the continued increase in output, and at present (as previously stated) the wage scales vary from 250 to 800 crowns. These wages are subject to deductions in respect of contributions to the statutory insurance schemes covering all workers in Czechoslovakia.

In only one respect might the Baťa worker, if the slump reached Zlin, find himself penalised through previous employment by the Baťa factory. Under Czechoslovakian law, unemployment insurance benefits are dependent upon membership of a trade union, and are paid out by the unions.

Baťa never encouraged the employment of union labour, and, in fact, only a small percentage of all the workers employed to-day are members of a trade union. What would happen to the remainder, in the event of a sudden contraction of sales necessitating the discharge of any large body of workers, is the subject of some controversy. Technically, they would be ineligible for benefit under the state insurance scheme, but probably some way out of the difficulty would be discovered.

The boot factory, with its fifty-five departments, is, however, only one section of this huge industry. The Baťa organisation constitutes a " vertical trust " which controls nearly everything necessary to keep that 80 per cent of the selling price of a pair of Baťa boots represented by raw materials

down to an absolute minimum. Indeed, the entire success of the whole undertaking depends upon the efficiency of the buying departments. Hence the existence of the second part of the kingdom of Thomas Baťa—the pulp and cardboard factory, the printing works, the chemical factory, the engineering and machine-repairing shop, a factory for preparing rubber, and the tanneries.

Thomas Baťa had little use for middlemen. His factory bought its hides direct from South America, its coal from Upper Silesia. A great part of the wood needed for making packing cases was cut in his own forests in the Carpathians. Cardboard boxes were made out of textile and leather waste. The chemical factory supplies the manufacturing plant with glue, and the Baťa presses print the posters which proclaim the Baťa products in all languages.

Almost the only class of raw material used in the manufacture of Baťa boots and shoes which is not produced by the firm is textiles, and here large sale contracts ensured the lowest prices, and enabled the textile manufacturer, in turn, to regularise the working of his mills and benefit from the rationalisation schemes which have steadily increased the consumption of the Baťa factories.

The whole of this colossal organisation, which to-day fills the valley of Zlin, dates back no further than the war years, while, apart from the original buildings, the development of this industrial city has coincided with years during which Europe has been anything but prosperous.

In 1930 Baťa introduced the 5-day week throughout the factory, the nominal hours of work being 7 to 12 and 2 to 6 o'clock from Monday to Friday. Although these hours may be extended upon occasion owing to a " hitch " in working, or a stoppage of machinery, it is claimed that the tasks set to each department for completion in a 9-hour day are based upon what it is possible for a " squad " of average efficiency to complete in eight and a half hours (thus allowing half an hour for starting and temporary stops). The workers should, therefore, complete their day's " ration " of labour by 6 p.m.

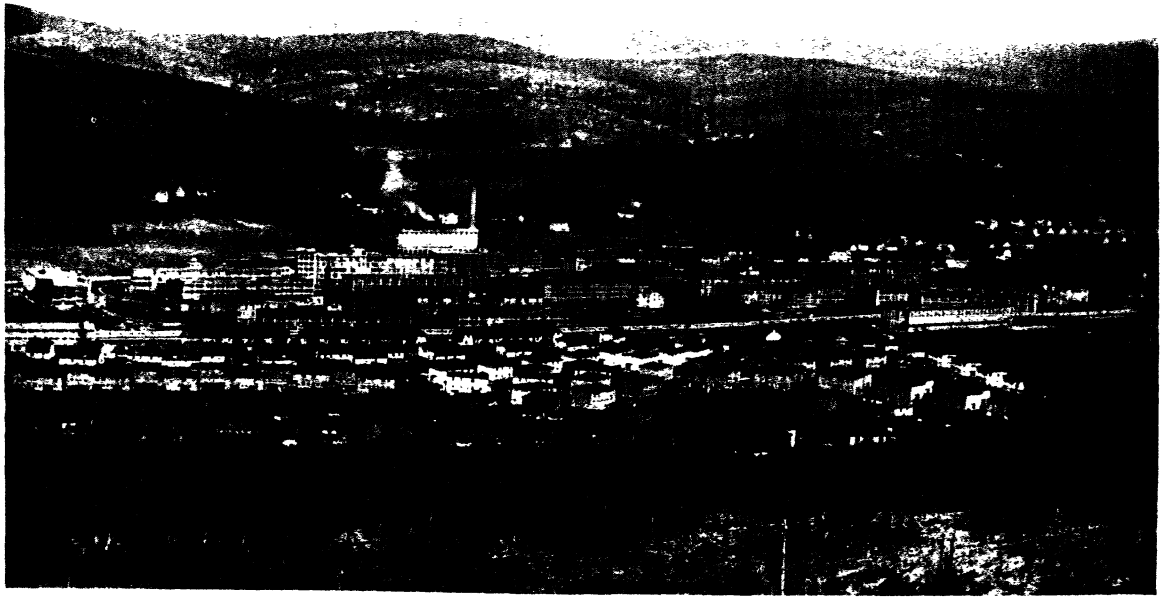
Rationalisation, and not long working hours, are the secret of the high output per man at Zlin.

One department only of the organisation is not found at Zlin. This is the sales department, which consists of 500 retail shops opened throughout Czechoslovakia for the sale of Baťa boots. In these shops, which are to be found even in villages where there is no other store, the same autonomous system as exists within the factory has been adopted, the managers are appointed by the management, and are required to sell each week an allotted number of boots and shoes. Otherwise their selling methods, apart from prices, are a matter for their discretion.

Including the staffs of these retail establishments, and an army of 35,000 travellers engaged in selling the Baťa products in all parts of the world, the total number of employees who owe their jobs to Thomas Baťa has reached the huge figure of 200,000 men and women. The 200,000 are members of one of the few large-scale industrial undertakings in all Europe which has largely escaped the effects of the international trade crisis. Largely, but not entirely. For if you talk with some of those 35,000 travellers, you will hear stories of currency restrictions and quotas having made their task of selling their share of the Baťa output more difficult, and, occasionally, impossible. Tariffs have not hit the Baťa factories so much—their selling prices are low enough to enable Baťa boots and shoes to scale any but the highest fiscal walls.

The provision of work for a growing number of unskilled inhabitants of Zlin, and the districts around, at increasing wages, is only one of the benefits which Baťa conferred upon that Moravian valley.

The growth of Zlin from a village of about 4000 inhabitants in 1918 to the industrial city of to-day, raised problems of housing, and other social amenities, which might have proved impossible to solve satisfactorily had not Zlin's greatest citizen found the time to turn his attention to the task of providing his own people with social and other



THE HOME OF BAŤA BOOTS

A general view of Zlin, in Moravia, showing the Bata boot factories with workers' homes in the foreground.

THE CENTRE OF ZLIN

Some of the fifty-five separate Bata factories now producing 200,000 pairs of boots and shoes daily.

facilities worthy of the greatest boot manufacturing town in Europe.

Between 1925 and 1929 the Social Department of the Baťa organisation provided a hostel accommodating 1800 girls, another holding 1500 youths, and housing estates accommodating 6000 workers.

While at Zlin I inspected these houses, which are situated close to the factory. Architecturally they are not impressive, consideration of costs and standardisation, as in the case of the factory itself, having clearly guided their design and construction. But, once again it must be mentioned that all things are relative, and these Baťa houses are a considerable advance on the general housing standard of the district.

In one home that I visited lived a young girl worker with her mother. The accommodation comprised bedroom, kitchen-living-room, cellar, and washhouse. The home was very clean and attractively furnished. The rent was 10 crowns (1/3d. at normal rate of exchange) per week. A larger dwelling, occupied by a married worker and his family and containing two bedrooms, bathroom, and kitchen, cost 27 crowns (3/4d.) a week.

The rent charged, in every case, is calculated on a basis which covers interest and redemption charges on the cost of construction.

Since 1929 the increasing scale of wages paid at the factory has enabled many workers to build homes for themselves out of their accumulated savings—for the Baťa organisation not only encourages thrift, by such means as the Birth Bounty Fund, from which every child of a Baťa worker becomes at birth the owner of a savings deposit book with an initial deposit of 1000 crowns donated by the firm, increasing by the addition of interest at 10 per cent for as long as the father or mother is employed at the factory, but the wages paid to apprentices are based upon a scale which permits a weekly saving, after all outgoings, of from 20 to 30 crowns from the first week of employment. And in the general hall of the youths' hostel is displayed a " roll of honour " showing

the names of the youths who have saved the most in the course of each year. Thus encouraged by the firm, the average savings of Baťa's apprentices during the first three years of employment, is from 3000 to 4000 crowns, or from £19 to £25. Assuming continued accumulation of savings on a rising scale as wages advance, the young man who enters the Baťa factory at sixteen is in a position to build his own home, with the aid of a mortgage, by the time he wishes to marry. And every encouragement is given to him by the firm to thus secure a home of his own.

Near the housing estate is the new Masaryk School, a beautiful building where 800 workers' children are receiving education, and where the women are taught cooking and carpentry classes are held for the men. On the day of my visit the latter class was receiving instruction on the making of the fuselage of an aeroplane—a reminder that Zlin possesses its own aerodrome from which Baťa set out to his death.

Another class was learning typewriting—on British, German, and American machines, for all are used at the Baťa factories.

The school was fitted with both swimming and shower baths, as also are the workers' club rooms at the factory itself. So modern, indeed, was that school, and so delightful its surroundings, that I well understood the remark made to me by an American visitor who said, " If I had been educated here I should want to work in a palace, not a factory."

More important than the housing estate or swimming baths, judged by their effects upon the cost of living at Zlin, however, are three large stores opened by Thomas Baťa to provide his workers with the material needs of life at cost price. One is a large Baťa boot shop, which must surely be the cheapest boot shop in the world, for its prices are even lower than are Baťa's prices elsewhere. The other two shops are multiple stores which might fairly be compared with the Bon Marché at Paris, or with Selfridges in London. Here the Baťa workers, and visitors to Zlin, can buy anything from a

pin to a motor-car. There are departments for underclothing, materials, ironmongery, groceries, provisions, meat, fruit, vegetables, and bicycles. And all the goods displayed, I noticed, were priced very much lower than even the low (by comparison with most countries) prices charged by the shops in the working-class districts at Prague. No figure exists to tell me the "index" figure for the cost of living at Zlin, but it must be one of the cheapest towns in which to live in all Europe. Which, I may add, is precisely what the late Thomas Baťa intended it should be.

In the large restaurants on the two top floors of these store buildings, the worker is supplied with a three-course meal at prices ranging from 2 to 4 crowns (3d. to 6d. at normal rate of exchange, and 5d. to 10d. estimated in purchasing power compared with British prices).

I selected a dinner costing 3 crowns, or 4½d. For this sum I had a plate of soup, a main dish consisting of veal, potatoes and cucumber salad, and a piece of very good cake. The quality of the food was excellent, and I could not eat half the meat and potatoes served to me, for I had not been working on one of those conveyor lines, helping to make 200,000 pairs of boots and shoes in one day. The workers sitting around me found no difficulty in demolishing "helpings" of the same size. That Baťa restaurant would have gladdened the heart of that Hamburg Socialist editor who had told me, at the beginning of my journey, that Europe's problem was to provide every worker in Europe with the sum of 4d. for each member of his family, so that all could enjoy one good meal a day. At Zlin that problem, at all events, does not exist.

A feature of the store is a large space utilised for the sale of milk and for its consumption on the premises. Baťa was a teetotaller, as is President Masaryk, and from the earliest days of the factory he banned alcohol within its walls and in the Baťa shops, and encouraged in every way possible the sale of non-alcoholic beverages. In the restaurant, lemonade, coffee, fresh milk (from Baťa's own farms !) and buttermilk

were on sale and fresh water was freely obtainable. But no beer was to be had.

The restaurants are run on the American " cafeteria " system, each customer taking his or her own tray, spoon, knife, fork, plates and cups and securing the meal selected before going to a vacant seat at one of the long tables each seating eighteen persons. By this system it is possible to serve 6000 meals an hour in this one restaurant.

From the stores I made my way to the bandstand in the park, where a band plays daily in fine weather from 12.30 until 2 p.m. On wet days it provides a programme of music in the workers' reading room within the factory. All around, little groups of workers were reading or talking in the sunshine, and seated amongst them I listened to a programme of music, the quality of which would not have shamed a much larger community. I watched the faces of these workers whom some critics of the Baťa system have called " human robots." There was no sign of strain. On the contrary they were all smiling and apparently happy. And better dressed than many of the workers I had met since leaving England. No one will deny that there is a danger of monotony and fatigue in any work of a purely repetitive nature. Thomas Baťa recognised this danger, and as a means of avoiding excessive fatigue, the maximum speed of the conveyors in his factory is adjusted so as to employ not more than 70 per cent of the average energy of his workers. Monotony he sought to avert, as far as it can ever be averted in a highly rationalised undertaking, by transferring workers who become " stale " to new work, and by encouraging games, such as running, jumping, boxing and football, during spare-time hours. To this end he presented his workers with a magnificent sports ground.

The success of such measures, palliatives at best, depends upon national temperament. While it must be admitted that something has been sacrificed by the change over from the old days of hand labour, when each worker made an entire boot, to the high-speed, mass-production methods of the

Baťa plant to-day, everything possible has been done to minimise the consequences. Nothing that money, and an employer who had himself once been a poor cobbler, could provide for the health and happiness of the workers is missing from the Baťa organisation. And I do not think that any unbiased observer, sitting as I did among that crowd of operatives, would deny that they appeared happier for having left the poorly paid and hard labour of the fields of Moravia to become cogs in the wheels which produce Baťa boots and shoes for the world.

By that bandstand I bade farewell to them, and watched them streaming back to those conveyor lines within the factory buildings. By nightfall another huge consignment of Baťa boots—enough to equip two army divisions—would have been made.

With that daily output of 200,000 pairs of boots a day in my mind, I wondered whether I could include the story of Zlin in a book dealing with the effects of the international trade crisis upon European industry. For at Zlin both output and wages are still rising, while other factories are working with sadly depleted staffs and wage "cuts" are the fashion.

I decided that the story of Baťa might fitly be told, if only because I suspect the world decline in purchasing power has something to do with the success of the undertaking during the recent months.

The Baťa factories may be engaging additional workpeople. Their output may be rising. But that only makes the achievement of the "Henry Ford of Europe" the more remarkable. For that factory is situated right in the heart of stricken Europe, surrounded by industries devastated by the depression. In other boot factories which I visited in Czechoslovakia, production, and particularly exports, are badly down.

The Baťa factory stands well in the path of the greatest trade crisis in history. But it has one protection which other factories have not got, and which has, up to the time of writing, saved it from sharing in the general "slow down"

of industry—this is the unique system of working, aiming at high production and cheap prices by means of saving those split-seconds, which constitutes the real monument to the memory of Thomas Baťa.

The fact that, in the third year of the world trade crisis, the Baťa factory is engaging additional workers, is due primarily to the method, inaugurated by Baťa, of dividing that undertaking into a multitude of small autonomous workshops, and developing a sense of corporate responsibility in the workers. Those two factors lie at the root of the Baťa system and account for much of its success.

To the brain which created that system, and the amazing factory in which it finds expression, is due the further fact—perhaps the most remarkable fact of all—that Zlin seems destined to go down into the history of these disastrous years as the town the slump forgot.

CHAPTER XII

AUSTRIA—A STUDY IN BANKRUPTCY

THE first thing which I saw in Vienna was a trayful of pins in a shop window, in the centre of the city. Each pin was inscribed with an enamelled motto reading "*Bitte sprechen sie nicht von der crise.*"

I bought one but I did not wear it, for I had come to Vienna in order to talk about the crisis. I need not have worried. Everyone talks of the slump in Vienna; everyone talks politics and money and loans and tariffs. Even the children at the schools take up the tale of Austria's woes, and the world's plight, and argue fiercely—the little "red" Socialists, the "black" Christian Socialists, the "green" Heimwehr, and the "browns", or National Socialists, who draw their inspiration and guidance from Hitler's Brown army. There was even another colour in the kaleidoscopic collection used to typify political distinctions in that land of many parties —the "Blues" or *Grossdeutscher*, standing for unity with Germany, but the blue is fading these days. Its tint is less strong.

The feverish interest in politics, which in Austria stand for bread and butter, has extended to sport. It is impossible to-day in Vienna to organise a football club which is just a football club and nothing more. Or a factory games committee which is concerned only with games. A football club must be either a Socialist club or a National Socialist club or a Heimwehr club. An attempt to combine workers or young men of all shades of opinion into one club for games would end in certain failure. A sure sign of the stress and strife through which the Austrian Republic has passed since the peace treaties carved up the territories of the Austrian Empire, and especially since that black day, May 12, 1931, when the collapse of the Credit-Anstalt, one of her most famous banking concerns, heralded the financial crisis which swept over Europe in that year.

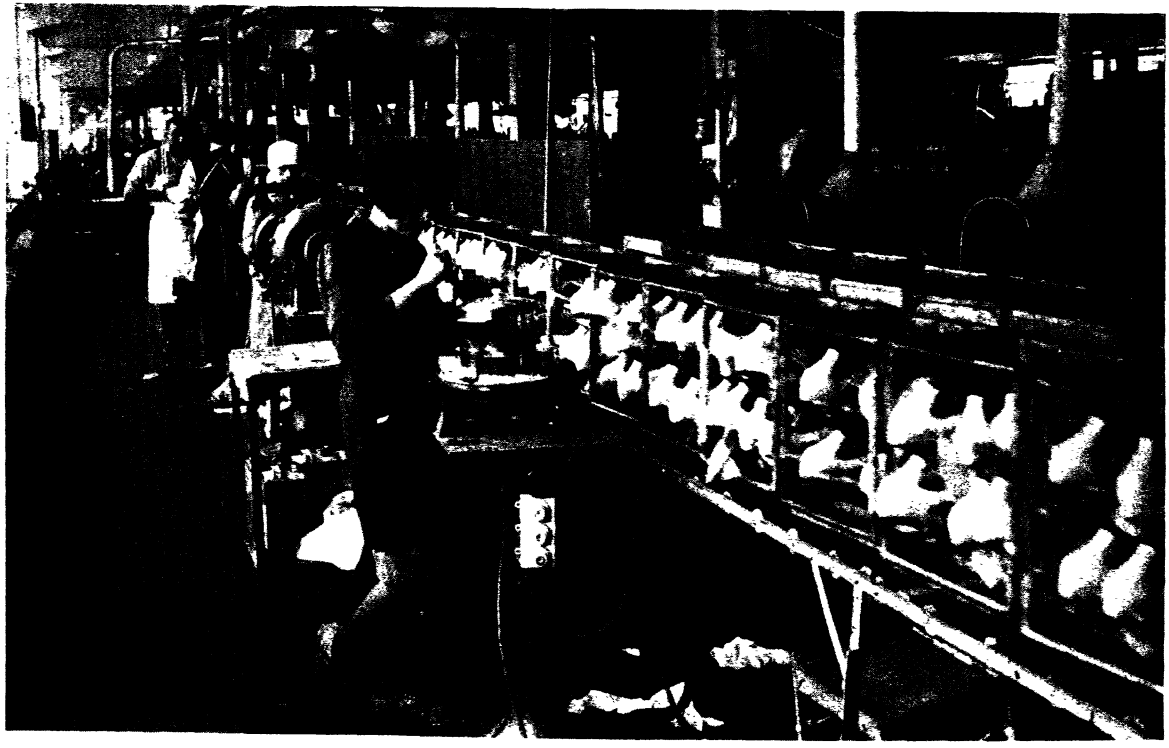
That crisis, coming after eighteen months of declining trade, had a serious effect upon Austria's State finances. During 1931 the National Assembly passed no fewer than

eight laws dealing with the Credit-Anstalt, which itself controlled nearly half the large industrial undertakings in the country. These hurriedly conceived laws, however, did not prevent a people which had already tasted the evils of inflation from becoming nervous, and during the latter part of 1931 another "flight from the schilling" began, reducing the Austrian holdings of gold and foreign currency from 951 to 242 million schillings during the ten months ending March, 1932.

Faced with a desperate situation, the Austrian Government on October 9, 1931, announced the imposition of the first foreign exchange restrictions, designed to save the balance of the currency reserve. These restrictions have enabled the value of the Austrian schilling to be "pegged" at "par" within the frontiers of that country, but abroad, and on the "black exchanges" inside Austria, the schilling stands at a discount of about 25 per cent. This discount is a natural sequence of the unsatisfactory state of Austrian State finances. To mention one or two figures only, the national budget for 1930 resulted in a deficit of £400,000 and the State Treasury was only saved from bankruptcy in the following year by an advance of £4,400,000 granted to the government by the Bank of England. For 1932 the budget expenditure has been limited to 2,000 million schillings, a figure 10 per cent less than that for the previous year, but the falling yield of taxation makes it uncertain whether this figure will be realised. To add to Austria's troubles, the State railway system ended 1931 with a deficit of 80 million schillings, and her adverse balance of trade, which for many years stood at around 1000 schillings, was still 867 million schillings in the same year.

Faced with this evidence that the country was continuing to live beyond its means, and that the restrictions upon foreign payments were not having the desired effect, the Austrian Government found itself faced with demands for the limitation of imports. And there, up to the moment of writing, ends the story of her fight to avert national bankruptcy.[1]

[1] Written in September, 1932. The suggestion that Austria should institute restrictions upon imports has also been advocated by the Financial Committee of the League of Nations which investigated that country's financial position.



BAŤA SHOES IN THE MAKING

Women workers in the great factory at Zlin. Note the "conveyor" which carries the partly-completed shoes to each worker in turn.

AN INDUSTRIAL GARDEN CITY IN CZECHOSLOVAKIA

The Koprivince railway carriage works, set in the unspoilt countryside.

If Austria has managed to avoid open and acknowledged national insolvency, private business men within that country have not always been so fortunate.

"It has been calculated that in Austria, as much as 80 per cent of the capital invested in over 200 companies, which were in existence in 1913, had been lost by 1930, and approximately similar proportions were lost in the case of companies formed after 1913," states the *World Economic Survey*.[1]

Those companies which have managed to weather the crisis have had their earning power drastically reduced.

"Of the 145 companies whose shares are quoted on the Stock Exchange (Vienna) only 45 have distributed dividends, as against 78 last year. The amount paid to the shareholders is 23·9 million schillings, as compared with 51 millions last year. Conditions are best in the brewing industry, in which all six companies were able to distribute dividends . . . and worst in the metal industry, in which of 39 companies whose shares are quoted on the Stock Exchange only six could pay dividends. The greatest decline, however, took place in banking; in this group only two out of twelve companies declared dividends, as against seven last year. In the timber, leather, paper, petroleum and hotel industries none of the stock companies represented in the official quotations distributed any dividend at all."[2]

During 1929, 581 bankruptcies and 369 "arrangements" were notified. In 1930 the figures rose to 694 and 441 respectively, and in 1931 to 816 and 533. During the one month of May 1932, 93 bankruptcies and 55 "arrangements" were announced.

As these figures indicate, the effects of the combined trade and currency crisis upon Austrian industry and upon the conditions of life in that country have been little short of disastrous.

"Austria", said the first business man I met in that country, "is a cemetery of factories. Business is dead."

There was a little exaggeration in that picturesque phrase.

[1] Allen & Unwin, p. 35. [2] *Economist*, September 24, 1932.

But only a little. For the statistics reveal that Austria has been badly hit. The total value of Austria's foreign trade, both inward and outward, fell by 23 per cent during 1931, following a fall at least as great in 1930 over 1929, the last year of normal trading. The total value of imports only in 1931 was 20 per cent less than in 1930 and 33 per cent less than in 1929. And the fall continues—the figures for the first quarter of 1932 showing a total decline of approximately 48 per cent over the same period in 1929.

Turning to exports, the decline has been even greater. In 1931 Austria suffered a contraction of 20 per cent in sales to foreign customers, measured by cash value, as compared with 1930 and 40 per cent as compared with 1929. The reduction in exports of raw and semi-manufactured articles in 1931 amounted to 35 per cent; during the same year there was a drop of 27 per cent in exports of finished goods. It may be said that between 1929 and 1932 half the entire export trade of Austria disappeared.

The figures covering the total industrial production of Austria during the slump years, compiled by the *Austrian Institute of Trade Conditions*, tell the same story of vanished trade. Total production fell from 124 per cent of the average (for seven years ending 1930) in 1929 to 85 per cent in 1932. General trade fell from 118 per cent in 1929 to 83 per cent in 1932, while to name but two individual manufacturing trades—in which Vienna held a leading place—production of boots and shoes declined from 126 per cent to 96 per cent between the same years and ready-made clothing from 123 per cent to 100 per cent.

Faced with this severe contraction of external markets and falling consuming power within its own borders, the Austrian manufacturers redoubled their efforts, made since the war, to increase their exports to Western Europe, and especially to Great Britain, as compensation for the loss of markets in Central and Eastern Europe due to the fiscal barriers erected by the new Succession States. At the same time the Austrian Government began the erection of the

amazing structure of commercial treaties, regional agreements, tariffs, concessions and counter-concessions which have transformed the most ordinary commercial transaction in that region into something as complicated and as aggravating as a jig-saw puzzle.

The result of this determined attempt to attract new markets in the West was an actual increase in Austrian exports to Britain in 1931, as compared with 1928, of about 10 per cent, while the percentage of Austria's total exports represented by her trade with England has risen from 3·5 per cent in 1927 to over 7 per cent in 1931. If ready-made goods alone are considered, the percentage increase is from 4½ in 1929 to 11½ per cent in 1931.[1] Exports to Switzerland and France also increased during the same period.

These increases, however, were not sufficient to balance the gradual paralysis of trade within the Danubian Basin itself. In 1931 Austria denounced the commercial treaties with Hungary, Jugo-Slavia and Czechoslovakia and considerably increased the tariffs upon certain classes of commodities and merchandise including cereals, cattle, and other foodstuffs, textiles and many manufactured articles. New commercial treaties were negotiated with the three countries named, and an agreement reached with Roumania, Austria allowing these nations to raise their tariffs on a wide range of manufactured articles, the duties upon which had been fixed by earlier treaties. The result of these developments was a further considerable increase in customs barriers.

The next move in this game of "beggar my neighbour" was the inclusion, in the commercial treaty with Jugo-Slavia, of a fixed quota for Jugo-Slav wheat, which came into force at the beginning of 1932. Yet another agreement was made with Hungary, supplementary to the commercial treaty, under which both nations agreed to provide cheap credits and transport facilities for certain quantities of goods. To work this arrangement necessitated a special clearing house to ensure that each nation adhered to the agreement, and

[1] *Report on the Financial and Economic Position of Austria at the end of March*, 1932. Department of Overseas Trade, London, 1932.

that the value of goods exported by Austria, under this special scheme, did not exceed the value exported by Hungary. In practice, the working of the arrangement was considerably interfered with by restrictions on transport arrangements imposed by both countries.

The tale of the makeshifts and devices by which the Central European nations endeavoured to "sell without buying", as one Viennese banker described it to me, might be extended almost indefinitely. But what is written above will be sufficient to show why inter-state trade in the Danubian countries was still declining in the summer of 1932, and why, in the fiscal sense, Central Europe remains Europe's greatest conundrum.

Despite all the undoubted ingenuity with which the game has been played, it has not proved possible to prevent the rapid and growing deterioration of industrial and commercial activity throughout the area, a state of affairs which the Stresa Conference was called to consider as a preliminary to measures for restoring the industrial health of the whole Continent. Those who study a map of pre-war Europe, and compare it with a map of the same Continent to-day, cannot fail to realise the part which new frontiers and ever-growing tariff walls encircling small populations have played both in the world depression and Europe's financial crisis.

Where tariff and other fiscal handicaps were insufficient to bring trade to a standstill, there remained the effects of currency restrictions. And these completed the havoc which the tariffs and falling commodity prices had begun.

At the cotton mill which I visited outside Vienna I heard the story of 40 wagons of cotton yarn exported to Roumania, under an arrangement by which payment was to be made in American dollars. Upon entering Roumania the goods were detained by the Customs, the Roumanian Government demanding that the payment should be made in Roumanian lei—a move designed to compel the Austrian Government to free some of the Austrian schillings now "frozen" at Bucharest. For weeks those trucks of yarn

were held up while bankers and governments argued. The Roumanians were adamant. Whatever arrangement had been made did not matter. Either payment in Roumanian currency or nothing. Eventually, after the manufacturer concerned had developed a few more white hairs, an arrangement was arrived at whereby a consignment of wheat should be sent to Austria in settlement of the debt, the Austrian authorities undertaking to pay the manufacturer. The final act in this comedy of European trade to-day came when the wheat arrangement fell through, and the amount due for the yarn was settled in American dollars, as originally arranged—but months after the due date.

A week or so after this transaction was at last settled, a number of Austrian, Polish and English business men, all interested in the timber trade, met on neutral ground in Germany in order to survey prospects and see if they could do business together. For forty-eight hours on end they talked, explaining the difficulties in their respective countries, and trying to discover a basis upon which they could do business without taking the risk of losses due to exchange difficulties and other impediments to normal trade. At the end of that time they shook hands and parted, having found it impossible to do any trade whatever. But, optimistically, they have arranged to meet again in the autumn of 1933 !

One more example. While I was talking with the director of the cotton mill outside Vienna, news reached him that a large order arranged shortly before with Hungary had fallen through because the Office of Compensations (the government department which arranges currency transactions, and the exchange of goods between Austria and other countries on behalf of manufacturers) had not been able to get the Hungarians to accept the cotton goods in exchange for wheat which that nation was anxious to export. The Hungarians were ready and anxious to barter wheat for Austrian products, but not for textiles.

Such is the background against which Austrian industry has for more than three years been struggling for existence,

and the workers of that nation for the chance of employment. After discussing with her industrialists the threefold effects of the new frontiers, the slump and the financial crisis upon their trade, and talking with the workers of that country, I am conscious only of a feeling of amazement that Austria has managed to survive at all.

At the end of 1928, the best year of the last ten for Austrian trade, there were 203,000 workless in that country. Then came the slump, and the figure rose to 330,000 in January, 1931, and to a new peak figure for Austria of 422,684 in January, 1932. Of this latter figure, 88,201 were women.[1]

All but about 60,000 of these were in receipt of unemployment benefits paid out under the State insurance scheme which has now been insolvent for some years past—the deficit due to excess of payments over contributions in 1931 amounting to 42 million schillings out of total payments amounting to 275·8 millions.

The highest rate of payment for a family without children is 20·30 Austrian schillings a week; for families with one child 21·70 schillings; with two children 23·10 schillings; with three or more children 24·50 schillings. Bachelors without dependents receive 16·10 schillings per week. These benefits are received for a period not exceeding thirty weeks, after which the applicant, if still workless, is transferred to the "welfare relief" funds—the highest amount paid out in that second category being about 2 schillings per week less. In practice, however, considerable reductions are often made.

In attempting to convert those amounts into English currency, one comes up against the conundrum "What is an Austrian schilling worth?" Austria is still, nominally, upon the gold standard, and the cost of one schilling, purchased at the National Bank, is tenpence. Purchased on the "black exchange", or by a foreign importer buying Austrian goods, the schilling is often subject to a discount of as much as 25 per cent. What its value would be if currency restrictions

[1] According to figures issued by the *Oesterreichische Institut fur Konjunkturforschung*, Austria's unemployed in January, 1932, represented 28·4 of all employed workers in that country, compared with 22 4 per cent in Britain.

were removed, and the schilling were allowed to find its natural level, is problematical. No one can say. But a flight from the schilling, and a big fall in its value, would almost certainly occur. As a rough computation, however, if the value of each schilling, expressed in terms of purchasing power in this country, is taken as 9d. the result will enable my readers to make an approximately correct comparison with the figures given in Austrian currency in this chapter.

Among those still fortunate enough to be employed, the conditions of living have greatly deteriorated. Wages show a decreasing tendency in general; not only because wage-rates have altered but also because the majority of the workers are paid piece-rates and short-time working is widespread. Rents, on the other hand, have increased during 1932, and the cost of living—owing both to higher tariffs and increases in taxation, which now absorbs 30 per cent of the national income—shows a tendency to rise during a period when it is falling in other countries.

Individual industries show the usual diversity of conditions; employment is falling in the mining industry while it is steady in trades connected with food. The textile industry is depressed, with a big reduction in the total number of workers employed and 20 per cent of those still at work on short time, whereas the leather industry shows a slight increase in the number of workers employed during 1932, as compared with the previous year.

The plight of the iron and steel industry is particularly serious. In 1929 out of 63,039 workers employed, 58,476 were working full time. By 1932 the number of workers had fallen to 28,414, and of these 11,139 were on short time, only about 17,000 still working a full week.

The number of employed workers in the building materials industries has fallen from 13,112 in 1929 to 6462 in 1932. Of that number 1307 were working only part of each week. In the chemical industry the total number of workers had declined by nearly 50 per cent, from 4502 in 1929 to 2594 in 1932. And only 1893 of that number were working full time.

In the textile mills the number of workers had fallen from 31,885 in 1929 to 17,227 in 1932; in the paper industry (an important Austrian exporting industry) from 16,656 in 1929 to 11,144 in 1932. In the industries concerned with foods and commodities, on the other hand, the decline has been much less severe—from 14,348 in 1929 to 11,766 in 1932.

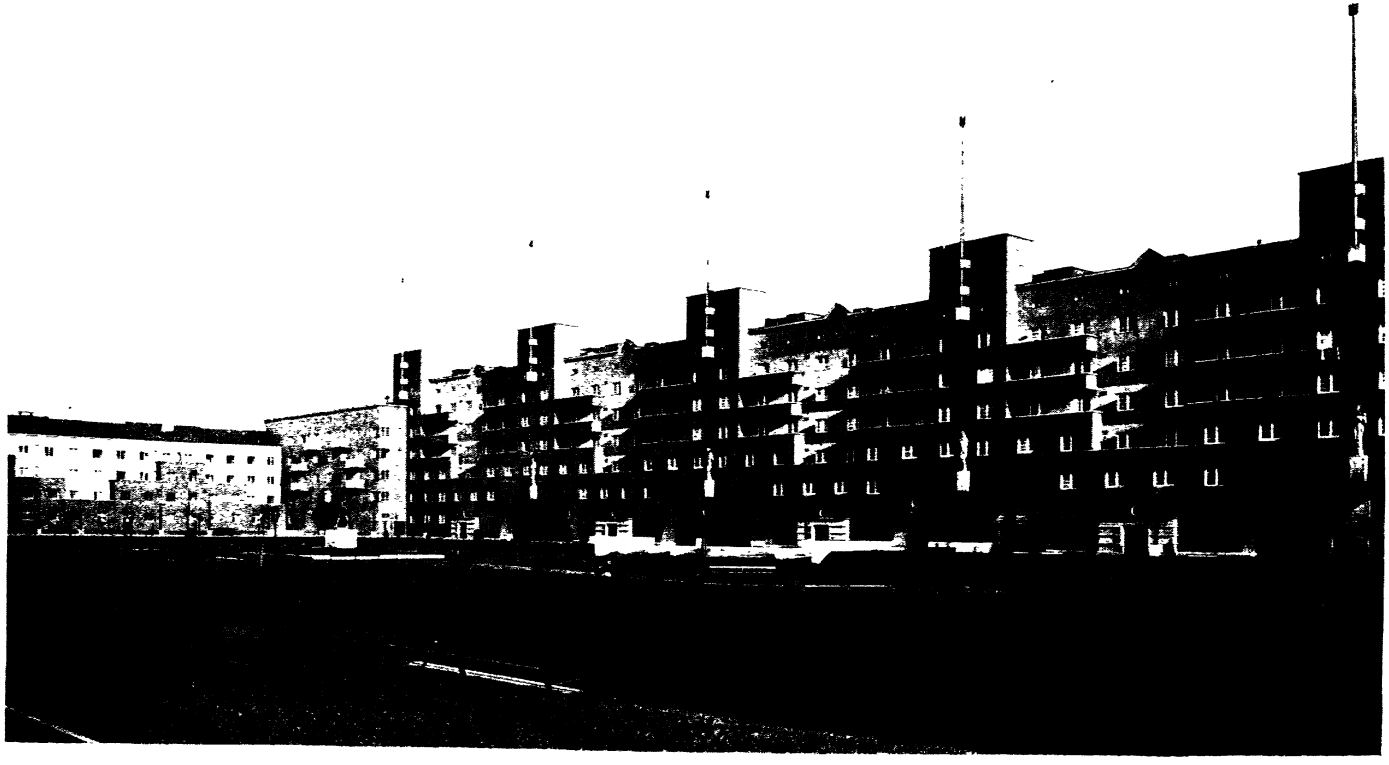
Statistics based upon the survey from which these figures are taken, recorded by the Chamber of Work at Vienna and covering 574 industrial plants, show that 96 of the factories concerned had closed down completely between 1929 and 1931, while the total number of workers employed by this group of industrial works had dropped from 158,000 to 88,000; therefore 70,000 or nearly 45 per cent were unemployed in July, 1932.

Fully to appreciate the effects of the slump upon Austrian industry, however, one has to go, not to official statistics, but to the individual factories where worried managements are striving to keep the wheels of industry turning, and into the actual homes of the people. Having learnt something of the difficulties which face Austria as a nation, I set out for the Rohrbach Mill, one of the spinning and weaving factories owned by the Pottendorfer Spinnerei, at Neunkirchen, an industrial village situated about one hour's train journey from Vienna.

There is nothing of Lancashire about Neunkirchen, despite the fact that one of the largest textile mills in Austria is situated there. The village is set amid very lovely surroundings—fields and green woods, with a horizon of blue mountains in the distance.

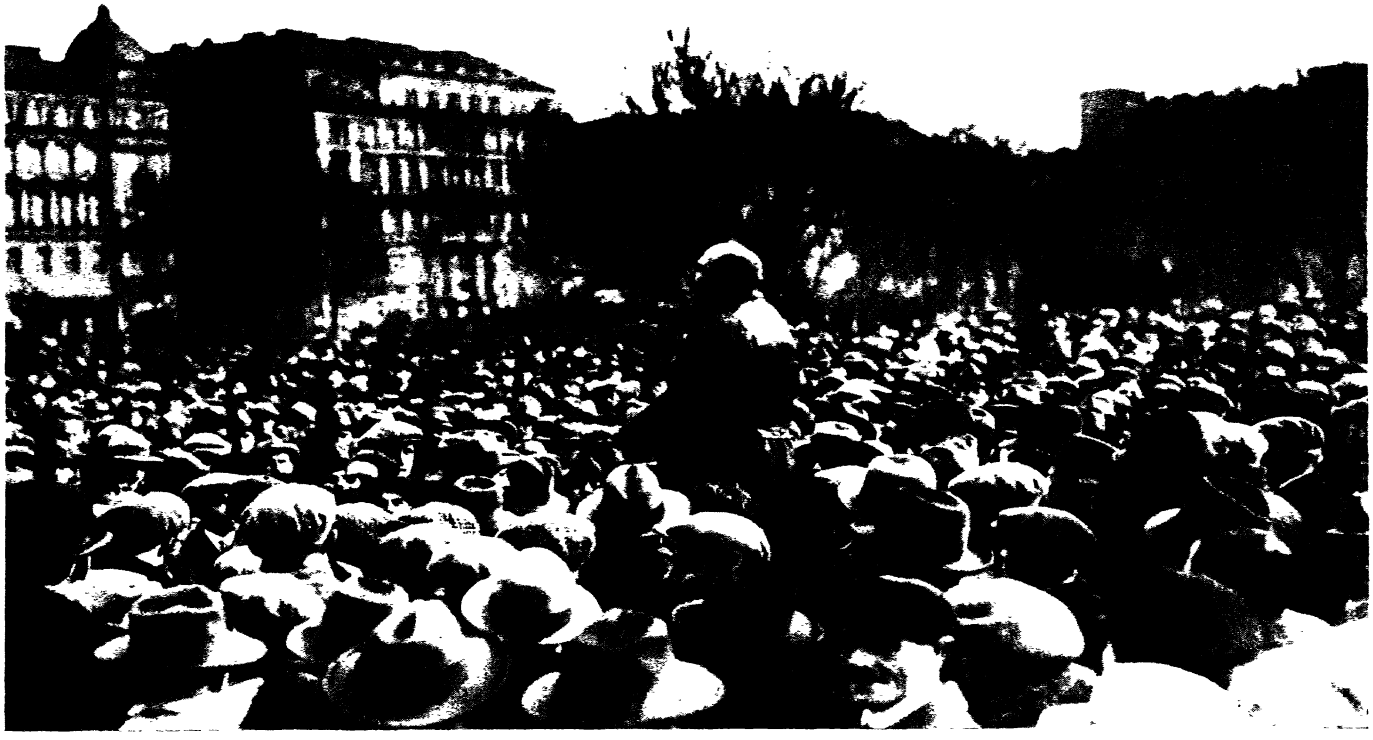
After the first sight of that beauty, it was disappointing, to say the least, to discern evidence of the depression which has come to Neunkirchen, evidence easily discernible to the experienced eye. Houses wanted painting, cafés were empty, and as I travelled from the station to the Rohrbach Mill, I passed factory after factory with closed doors, closed windows and smokeless chimneys.

" Yes ", said the manager of the spinning department who



THE KARL MARX HOF

One of the most famous of Vienna's new municipal housing estates for workers.



AUSTRIA'S UNEMPLOYMENT PROBLEM

A speaker addressing a demonstration of some of Vienna's 150,000 workless.

had come to meet me, echoing a phrase I had heard before, "Neunkirchen is a cemetery of factories. The only two left at work here are our own and a screw factory. And both of those are only working to about thirty per cent of capacity."

Neunkirchen, I discovered, has given up the fight and gone bankrupt. Out of a total population of 11,200 persons, 1523 were unemployed in August, 1932. Multiply that latter figure by four, the average number of persons per family, and it will be seen that nearly half the inhabitants were dependent at that date upon unemployment insurance benefits and welfare relief.[1]

"Our people can no longer pay rates and taxes," one shopkeeper told me. "No one here has got any money. They are just waiting—and existing—until better times come."

The Pottendorfer Spinnerei is one of the largest textile concerns in Austria, possessing 42,104 spindles and 391 automatic looms. It is also one of the most efficient, bearing out the statement made by one who knows Austria well that "the logic of hard facts, the necessity of capturing new markets to replace lost ones, has done more to revolutionise and to speed up Austrian industry than any amount of 'education'. In the matter of labour-saving machinery, improved methods of production, many Austrian factories . . . are very far ahead of England . . . they are even ahead of Germany and America."[2]

In 1929 a firm of American textile engineers were invited to send experts to Neunkirchen to study the methods of production at the Rohrbach Mill, and advise the management concerning measures of "rationalisation" which would increase production and reduce costs.

The recommendations of these experts, since carried out, have yielded surprising results. Where before 1919 one

[1] On September 1, 1932, at Neunkirchen 240 persons were receiving first category unemployment benefit, 1083 were in receipt of welfare relief, and about 200, having exhausted their right to both these classes of benefit, were not in receipt of any "dole".

[2] *Austria of To-day*, by Victor Wallace Germains. Macmillan, 1932, p. 238.

weaver looked after from eight to twelve automatic Northrop looms, now one weaver is tending forty looms and, class of work permitting, could look after sixty. The work, however, is specialised and battery hands and other special workers assist the weavers.

Under the rationalised regime now in operation, efficiency has been increased by more than 30 per cent, the production of the 391 looms has increased from about 200,000 metres to about 260,000 metres in 184 hours, and the total number of workers necessary to achieve this production has *decreased* from 130 to 110. Further, the total cost of production has been reduced by more than 40 per cent without any reduction in the hourly wage-rates of the workers employed ! On the contrary, by sub-dividing processes into skilled and unskilled work, it was, at the same time, possible to increase the earnings of the skilled workers. Formerly the weaver tending eight to twelve looms earned 37 schillings per week ; now the worker tending forty looms is paid (or would be if full time were worked) 43·50 schillings for 48 hours. No grade of worker suffered any reduction in wages in the process of achieving that spectacular "cut" of 40 per cent in manufacturing costs.

It may be mentioned that these labour changes were carried through with the full co-operation of the workers and the union. Indeed, at this mill relations between management and workers have greatly improved since the "rationalisation" was effected.

A cotton mill is a fascinating sight, a mixture of fairy-tale beauty and a sort of diabolical nightmare of machine ingenuity. In the first department I entered was the raw cotton—great shapeless bales of it. The cotton is fed from one great machine to another, each one pummelling it, punching it, tossing it about, pulling it, cleaning it and clearing it, until at last it emerges like a beautiful continuous silk-like cocoon of finest cream. This again is separated into a thousand threads, twisted and pulled until what has been a bale of cotton has become a number of reels of cotton yarn, whose

strength and firmness and evenness the manager demonstrated to me with pride. And much of the machinery which carried out this work, I may add, was English—bought at Oldham in 1907. Some of the machines had been replaced more recently, but a number of those veterans were still busy, a tribute to good British workmanship in those far-off Edwardian days.

I did not learn, in that factory and under the guidance of that kindly manager, to judge cotton yarn, I fear, nor to understand the manifold technical processes and improvements which he pointed out to me. I was more interested in results—in trade, and the lack of it.

I observed that most of the machinery was silent; that some was covered over with paper, and commented upon the fact.

"When producing to capacity this mill works two shifts —from 6 a.m. to 2 p.m., and from 2 to 10 p.m.," was the answer. "At present we are working to only 60 per cent of one shift, or about 30 per cent of production. And that output exactly meets the available demand."

Further questions elicited the fact that four mills owned by the company have ceased production owing to the slump, while in the remaining four mills 130,000 spindles out of 700,000 were in production, and 2200 looms out of a total of 9000. In normal times, two-thirds of those spindles and looms are working for the home market and one-third for export.

What has happened to that export trade can be told in a few words. In 1928 the Pottendorfer Spinnerei exported to Hungary cotton yarn valued at 12,693,328 schillings. In 1932 exports to that country were down to 599,335 schillings, a decline measured in value of 95 per cent! Exports to Jugo-Slavia fell from 583,467 schillings in 1928 to 40,951 schillings in 1931; to Roumania from 7,213,191 schillings to 1,190,396; to Bulgaria from 1,436,934 schillings to 179,753; to Holland from 992,209 schillings to nothing. Total exports of cotton yarn from the Pottendorfer Spinnerei mills fell from 24, 692,249 schillings in 1928 to 2,081,943 schillings in 1931, *a decline, in the case of that one firm and*

over three years only, of no less than 92 per cent, measured in values, of its entire foreign trade.[1]

" In pre-war days ", said the manager, announcing a fact which is known to most students of the new Europe which came into being after the war, " the spindles were in Austria, and the looms in Bohemia. Now there is a frontier running between them. The Czechs erected their own spindles during the good years before 1929, and we have built our own looms. And now there are two textile industries fighting for the same trade."

That mill is still selling its woven fabrics to East and South Africa. For the most part the goods are sold at a loss, but they must be sold, for the mills must secure foreign currency in order to buy raw cotton from the United States and India. What will happen to the remaining trade of the Rohrbach Mill if the Austrian Government decides to allow only absolute necessities to be imported the manager could not tell me. Nobody knows—about the whole future there existed an uncertainty which made trading next to impossible.

The wages paid in the Neunkirchen mills averaged 33 schillings for a 48-hour week for piece workers, varying in individual cases from 25 schillings a week for beginners to from 47·50 to 52 schillings weekly for the most highly-qualified workers. Those wages have since been reduced automatically by one-sixth through the introduction of a 40-hour week.

In addition, all workers were provided with free lodgings and free lighting from electricity generated at the mills. Those workers who have been dismissed—nearly half have been " stood off " owing to the depression—are permitted to retain their free quarters in one or the other of the four barrack-like buildings close by where the workers are housed.

Despite this concession, and the existence of such amenities

[1] It should not be overlooked that cotton prices have seriously declined since 1928. The New Orleans Cotton Exchange Statistics quote the following average prices for Middling that show the extent of the decline:

Crop year	1927/28	28/29	29/30	30/31	31/32
Average price of Middling	19·12	18·92	17·24	9·57	5·89

as a bathing pool for employees, the workers who have been stood off were inclined to make trouble among those still fortunate enough to be on the pay-roll.

These mills were, in fact, in some danger of following the example of those locked and deserted factories around them, and closing down. For if the hours of work are again reduced—to below 40 per week—the amount earned by the workers would be little over the amount of unemployment benefits to which they would be entitled if workless. As it was, the workers with whom I talked were quick to complain about the cost of the contributions to the compulsory social services which were deducted from their pay envelopes, amounting in one case to 6·90 schillings out of a fortnight's earnings amounting to only 45·40 schillings, or 15 per cent.

Happily for the spirits of that little community, surrounded by unemployment, I was informed that "business seemed to be stirring again", and there was some hope of a few spindles being restarted to employ additional hands, even on short time.

One does not have to ask what is the real remedy for the crisis when in Austria, for always the answer is the same—"Lower tariffs"! Instead, I asked that manager what the situation of his mills was likely to be when trade was once more flowing normally across Europe.

"I am inclined to think that only the adoption of a 40-hour week, permanently, will solve the riddle," he answered. "A 40-hour week and wages reduced by one-sixth as at present to avoid any increase in the overhead charges. The unions want the shorter week without the wage reduction, but that appears to me impossible, although—and here is another of our problems cropping up—I must admit that the cost of living in this country is undoubtedly rising, owing to the large number of new taxes levied."

There we left the discussion—unfinished. I bade him farewell and returned to Vienna, there to visit the headquarters of a leather firm possessing a factory on the outskirts of the city.

I was interested to learn something of conditions in this semi-luxury trade, so far removed from cotton-spinning. Interested because of some figures I had noticed regarding Austria's exports of made-up leather goods to Britain in a Report on the economic position of Austria prepared by the Commercial Secretary at the British Legation in Vienna.

Those figures showed that while in 1928 only 33 tons out of 346 tons of leather goods exported went to Britain, by 1931 we were buying 46 tons out of total exports reduced to 227 tons. Further, I had been told that over 90 per cent of the total production of that trade was for export. Here, then, was an opportunity of learning something more about the difficulties Austrian exporters are facing.

The firm to which I went for information manufacture high-class ladies' handbags, a traditional Viennese trade which is very highly developed, and in which the taste and elegance of Vienna is known the world over. The firm had managed to maintain its foreign trade, at least to a large extent, until 1932 through sheer excellence of design, materials and so on—in short, because the bags were more attractive than those which could be obtained elsewhere. In 1931 the firm had secured their share of the increasing trade with this country. But the discount of the pound sterling after Britain came off the Gold Standard, plus the 25 per cent tariff adopted in the spring of 1932, had absolutely killed that source of business. As the managing director put it, "no manufacturer on earth could overcome that 50 per cent represented by the premium on the Austrian schilling plus the duty".

"I am now more banker than merchant," the managing director continued, when I asked him about trade prospects in other directions. "More than 80 per cent of my time is occupied in struggling with figures, and I have one man employed in doing nothing but keeping up with the new rules and regulations concerning exports which are imposed by our own government and other governments from day to day. No one here in Vienna can make contracts because no one knows what the morrow will bring forth. We can

only live from day to day. We have learnt too many hard lessons by making contracts ahead—in the last ten years I have lost not less than £20,000 in catching up differences due to duties imposed by various countries after forward contracts have been made. And, since stability is an essential in the business world, can it be wondered at that business has been ruined?"

He went on to explain to me that his travellers go all over the world. Formerly a large trade was done with South America.

"The women of South America are the smartest and most extravagant in the world," he said. "Now that market is closed by currency export restrictions. Indeed, my old customers are not allowed sufficient foreign credits to pay outstanding accounts. They are paying—those that are paying—by instalments, first 10 per cent, then later another 5 per cent and so on."

It is the same nearer home. Early this year a traveller was sent to Paris, where big orders were always obtained. He sent back a large batch of orders, which were executed immediately in order to catch the spring trade. One week later a note was received from the Austrian Customs authorities saying that the goods would not be allowed to leave that country until the French customers had remitted 10 per cent of the value of the consignment in order to cover railway charges on the Austrian State railways. In consequence of the delay occasioned by this procedure, designed to safeguard the railways against loss, three-quarters of the orders were cancelled. Two months later, the Austrian authorities found this new method of collecting amounts due to them so difficult in working that they cancelled the regulation. By then, however, so far as this bag manufacturer was concerned, the damage had been done.

Even so, clearing arrangements for exports only exist in the case of certain countries, including France, Jugo-Slavia and so on. There exists no such arrangements to facilitate trade with Germany for instance. That same bag manu-

facturer is owed 5000 Reichmarks by a firm in Berlin. He owes almost the same amount to another firm in Germany for skins he bought some time ago. But it is not permitted that his creditor shall pay his debtor—the money must be paid to him in Austria and then be sent out of Austria again. At least that is what should happen, but as no foreign credit is available with which manufacturers can pay debts in Germany, the net result of that transaction is that the bag manufacturer had 5000 Reichmarks " frozen " in Germany, and he must go on owing the same sum himself.

I did not see the designers at work in this office, evidence of the fact that Vienna still takes seriously its position as the leading country in the world of handbags, and guards its new designs as jealously as any French dress designer. But in the factory itself the number of workers had been reduced, a reflection of the currency difficulties which hang like a millstone round the neck of every manufacturer in Austria.

Such is one side of the picture—what of the other ? So far as I was able to discover only two industries in Austria have a happier tale to tell—agriculture and the tourist industry.

High protection for farm products, aimed at making the peasants better customers for the factories, have saved the Austrian farmers from the worst effects of the depression. With the price of wheat in July, 1932, standing at 34·75 schillings per 100 kilogrammes, compared with 39·59 schillings in 1928, and with the yield of cereal crops in 1932 higher than in the previous year, the peasants of the neighbouring lands and Austria's industrial workers may well envy the countrymen in whose interests the high cost of living is primarily maintained.

In normal years Austria used to reckon upon a revenue of £10,000,000 flowing into the country from the tourist industry, over and above the amount spent by Austrians abroad. And this trade has suffered less than was expected when currency restrictions were imposed, and when the full severity of the world depression hit Britain and the United

States. One hotel-keeper in Vienna estimated that the number of visitors had declined by 30 per cent during the past two years. Certainly the hotels of Austria have not been filled to capacity, or anything like it, during the summer season of 1932. But appearances apart, there exist official figures to prove that visitors to Austria during the year, despite diminished incomes the world over, left 300 million schillings behind them to aid the stagnant retail traders and the Austrian railway system and State budget.

A considerable proportion of this sum came from the pockets of visitors from Czechoslovakia and Jugo-Slavia, but the trans-Atlantic contribution was surprisingly well maintained.

The tourist traffic does not, however, occupy the prominent position in the internal economy of Austria that it does in the case of Switzerland. And events have proved—if it needed any proving—that the protection of agriculture cannot, by itself, materially assist the industrial workers. To be prosperous, Austria must trade with other nations, and at present restrictions of one sort and another make the transaction of fresh business almost impossible.

Those restrictions sound almost ludicrous to British ears. They have certainly made the lot of the working peoples throughout Central Europe much worse than they would otherwise be. Maintained long enough, they will inevitably accumulate until trade within that area comes to a full stop, and the spectre of famine stalks the streets of Vienna, as it did immediately after the war years. Already hunger, its forerunner, is there, gazing from the gutters with eyes that mutely appeal for the means to buy bread.

How big is that world of poverty represented by the beggars and the workless? How wide does it stretch? Are the unemployed of Austria better or worse off than those of other lands? The only people who could answer those questions beyond any doubt were the victims themselves. To the victims, therefore, I went—to the homes of both the workers and the workless of that sad city.

CHAPTER XIII

IN THE HOMES OF "RED" VIENNA

"WHAT is a groschen for?"

An Austrian groschen, as most people know, is a small copper coin. There are one hundred of them to an Austrian schilling, so that according to the present rate of exchange, one groschen is worth about a tenth of a penny.

I asked the question of the porter at my hotel. He merely shrugged his shoulders and chuckled.

"But what is it for?" I repeated. "I seem to be accumulating handfuls of them, yet I cannot find anything in the whole of Vienna cheap enough to buy with them. It would take me ten minutes to count up a schilling's worth."

The philosophical and rather sardonic hotel porter merely chuckled again.

"You cannot buy even a match with one!" he told me, as if it were a great joke.

That porter refused to enlighten me on the mystery of the groschen, but later I discovered myself what a groschen was for—or two or five or ten of them—or, for that matter, all one's spare groschen.

It is to give to the unemployed.

If you wish to pass quickly down the Karntnerstrasse, the most luxurious shopping street in Vienna, you must steel yourself to the ranks of beggars kneeling outside the opulent shop windows. You would never get from one end to the other if you did not. I thought I would escape from them when I went right into the poorer quarters of the city, to get beneath the surface of life in Vienna to-day and talk with those victims of the slump in their homes. But there were the beggars again. Worse, there were obvious amateurs, singing pathetic little snatches of song, holding out needles or pins, shoe laces or matches—beggars' wares the world over—for my inspection. They were everywhere, the new-destitute of the city. In every street and park, at every tramway stop, and, to my astonishment, hanging round

every tenement block (rental value of each home averaging 5/– a week).

"But do they get anything here?" I exclaimed.

The woman councillor who was accompanying me on my voyage of discovery into new housing estates and the back streets of "Red" Vienna—only capital city in Europe that is under Socialist rule—nodded.

"Yes, on the whole it is more profitable for them here than in the richer quarters. There one may give something to a hundred who give nothing. But here, in this poor quarter, perhaps four out of five will just drop a groschen or two into their palms. . . ."

There are 150,000 unemployed in Vienna out of a population of two millions, a very low percentage compared with the average over the whole country. Of these 150,000, 48,348 are receiving unemployment benefit; 51,061 have exhausted this benefit and have been relegated to a second class eligible for "welfare relief", which amounts to about 16 Austrian schillings for a married couple with two children. This relief is paid for three years, and may be extended in certain circumstances. In addition, there exists a third class of workless, numbering 50,000 and composed of those who either did not come under the unemployment scheme when employed, or have been idle for so long that they have passed out of both the first and second categories of assistance. This third class, the most wretched of all, receive no cash payment whatever from official funds with the exception of certain allowances where there are children.

In order to learn what Vienna—most generous of all cities—has done for the most stricken of her population during the slump, I began my tour of investigation by interviewing Stadtrat Professor Tandler, chairman of the Social Relief Committees of the city.

"Tell me something about your work," I asked. "What you did last winter, and what you will do during the coming winter, which everyone says will be the hardest of a century."

"It will be hard," he admitted, "but not as hard as the

people believe, I think . . . I hope. Last year, one of the most useful emergency measures which we adopted was the distribution of what we termed 'Winter Help' parcels. From October to March one parcel was sent every month to each necessitous family on our register. The scheme worked so well that it was extended to the end of April, owing to the severe winter. Each parcel consisted of 2 kilogrammes of flour, 1 kilogramme of sugar, ½ kilogramme of margarine, ½ kilogramme of lard and 10 pieces of soup trimmings, and under the special terms granted to us by shopkeepers each parcel cost us only 5 schillings.

"Those parcels made all the difference where the need was desperate. I have talked with many unemployed families who told me that they could never have survived the winter without them.

"Funds? The municipality granted us 1,000,000 schillings, the State subscribed another 100,000 schillings, and no less than 2,500,000 schillings were voluntarily given by Viennese people in more happy circumstances."

Generous Viennese—who being taxed so heavily will yet dip their hands into their pockets again and give.

"What of the 50,000 people who receive neither unemployment benefit nor relief?" I asked.

"First and foremost, we try to see that the children do not suffer. All those with families receive money . . . from 10 to 145 Austrian schillings a month, depending upon the number of children. These cash payments are intended to benefit the children only, and are quite distinct from unemployment relief. In the month of July 1932, 36,145 received assistance in this way. Further, about 15,000 poor children of school age get one meal a day at the schools, and 4,000 more in the kindergartens, all of which means a heavy burden upon the budget of the city. The adults receive food—meal tickets or vouchers for groceries."

"The unemployed among the agricultural population are not hit so badly?" I enquired.

"That is so . . . country people can generally get enough

to eat, at all events. Their unemployment affects the industrial workers most, for it means they are unable to buy any of the products made in the cities."

One of the greatest problems connected with our own unemployment situation in Britain occurred to me.

"What of the position of your young people—of all sorts, errand boys, apprentices, students and so forth?"

"That is one of the most delicate problems," answered the Professor. "Our first aim is not to allow unemployment to become mentally a habit, but to find occupations for the young people at all costs, and so keep them off the streets. To this end we have organised no less than forty or fifty "homes" which are open to them every afternoon. These homes supply one meal of soup and bread daily. There the young men and women can read, listen to the wireless and usefully employ their time."

"At what age are they entitled to unemployment pay?"

"That depends on the term of their apprenticeship, which in turn depends upon the trade concerned. Some are eligible for benefit after serving a three years' apprenticeship —at about the age of 17—if when they have finished that period they cannot find paid work.

"One of the effects of unemployment has been an enormous increase in the number of students. Education is very cheap here, and young people are sensible enough to realise that they are better off learning something than being merely idle. That, of course, only raises another problem in its turn—the absorption of all these graduates. We have also another system which is working well, called *Jugend am Werk*, under which a sort of exchange of labour is organised as a form of education. One set of young people from a centre will contract (unofficially) to go to another centre to help the young people there to build a swimming bath, or repair homes or do any other odd job that needs doing. More than 1000 are now working in this manner, and we hope to treble that number shortly."

I left Professor Tandler and made my way to the first objective—the much-debated new workers' housing estates.

Many people regarded pre-war Vienna as the very centre and inspiration of culture in Europe. In these last few years that city has passed through many phases of notoriety for a variety of reasons. One phase remains for all to see—namely, the wonderful housing estates built by the municipality to overcome the appalling post-war housing conditions.

In every quarter of Vienna which I visited, my way took me past imposing and perfectly-proportioned groups of so-called " tenement blocks ", which have lent a new architectural interest and beauty to the city, and which, as far as their exteriors count, would not be out of place in Park Lane should that conservative quarter ever " go modern ".

The general lay-out of these estates is both daring and excellent. As one trundles past in tram or autobus, the visitor receives a general impression of a modernist Ideal Home Exhibition. They are universally plastered over brick or concrete, and colour-washed, sometimes white, sometimes cream, or pale green, while the famous Karl Marx Hof flaunts a deep beige with wings of blue, very effective in the brilliant Viennese sunshine.

Every flat in every block has its balcony of either stone or wrought iron, and from every balcony, in summer, waves a mass of gay flowers—petunias, geraniums, marguerites, creepers. Green grass circles some blocks, while through the vast arches that are one of their typical architectural features—and one of their most effective—come glimpses of open swimming baths, of fountains, gardens and groups of lively children.

I heard many criticisms, many grumblings and complaints about the Socialist rulers of the city from members of other political parties while I was in Vienna, but everyone with whom I spoke agreed that as far as the spending of the taxes levied went, those Socialists have " clean hands ". To the impartial observer, what they have accomplished seems to merit a more generous tribute.

The bold and wholesale thoroughness with which they have tackled the housing problem—and nearly solved it—must undoubtedly prove one of the best investments ever made by a city. How bold and how thorough it has been and what a tremendous step forward those practical idealists took from the pre-war days may be instanced by only one fact: Of every 1000 small dwellings built in Vienna before the war, 953 had no water supply and 921 no water closet in the dwelling. Even to-day the greater part of the population of Vienna live in similar flats. It cannot be wondered at, therefore, that in all the new blocks I visited, I was always met with one emphatic ejaculation: "It's Paradise".[1]

The tenants of these municipal housing estates pay no more then one-eighth to one-twelfth of what they would have to pay for the same accommodation rented to them by private enterprise. That being so, I was not surprised to learn that there is a waiting list of tens of thousands, some of them living in such bad conditions that well-known people continually receive both abusive letters and desperate requests for something to be done to help them. The new flats are very carefully allotted according to the urgency of each case and the size of the family . . . but it is difficult. The chauffeur driving the car which the municipality placed at my disposal told me that he had had to wait four years. "But now . . ." His smile seemed to indicate that the waiting had been worth while.

The capital required for the building of these estates has been accumulated from the proceeds of a special house-tax, steeply graduated, so that the owner of a luxurious dwelling has to pay 36 per cent of his pre-war rent, whereas a working-class tenant pays only 2 per cent. The amount of the annual charge levied varies from 6/8 to £1563. In 1931 the yield of this tax, which may only be used for the redemption

[1] I have no space here to describe the appalling conditions which finally caused the Vienna Municipality to take matters into their own hands. Those interested may find details in Dr. Robert Danneberg's book, *The New Vienna*. Labour Publishing Company, London.

of municipal housing loans and the building of new properties, was £1,025,000.

The erection of these municipal housing estates, with their low rents which do not provide for interest on the capital outlay, has made the erection of working-class homes by private builders an unprofitable business; indeed, combined with the Rent Restriction Act, has been almost sufficient to kill private building completely.

That same Rent Restriction Act, however, and the shortage of accommodation, has proved the salvation of the Austrian middle classes in the crisis, and prevented them from sharing the fate of the same classes in Germany. Thousands of families, living under old leases protected by the law, have " balanced accounts " by letting a portion of their homes at rents far in excess of the sum paid by them for the whole premises.

From a young architect with whom I talked, I secured some interesting figures showing the effects of the municipal building campaign, plus the slump, upon the building trade. Ordinary workers employed in that trade in Austria are subject to seasonal influences, as elsewhere. In 1929, the number of workless was 116,897 in January and 20,879 in July. These figures increased by 1932 to 148,897 in January, and 77,255 in July. Out of 680 brickworks in production in 1929, only 438 were still working in 1931. There can be no doubt, therefore, concerning the dramatic effects of the depression upon that section of Austrian industry concerned with the housing of her people.

One of the newest of the municipal housing estates—it is as yet unfinished—is situated in the industrial 21st district of Vienna, within a stone's throw of the Village of Misery which I was later to visit, and which I shall describe. On one side of a river lies that Village typifying the slump at its worst; on the other the spacious grounds and buildings of the as yet unnamed estate in the Franklinstrasse.

The builders were still working on it when I went to pay a call upon one of the new tenants. We stepped into the

IN VIENNA—THE CITY OF BATHS

Summertime scene at one of the children's free bathing pools which are a feature of the city.

THE WATCH-MAKERS OF GENEVA

Workers in an industry which has been wrecked by tariffs raised by other nations.

building and went up the stone staircase, with its vivid green-painted iron balusters, airy windows, and past the shining white-enamelled front doors belonging to the flats (each with its little brass name plate) until we arrived at the home of the man who had offered to regale us with two typical Viennese products—*Wiener strudel* (a delicious apple pastry) and some wine of 1932 vintage (which incidentally happens to be specially excellent owing to the dry heat of the summer).

The tenant was a retired railway official, with a pension of about 90/– a month. On this he had to maintain a wife and a son of seventeen, who was a student.

The home was delightful, as airy and bright as all the new municipal homes that I visited, with two large rooms, one small room, kitchen, hall and water-closet. All the floors were laid with fine parquet, for which Vienna has always been famous, the flat was fitted with double windows in order to keep out the intense winter cold, and there was both electric light and gas. For this the tenant paid a rent of 31 Austrian schillings per month.

After my wine and pastry, I went out on to the balcony to talk with my host. During the summer months the balcony acts as an additional room. There were two comfortable chairs on it, a little canary in a painted cage, and the usual collection of bright flowers.

The old railway official had been inside some English homes and did not like them ! He pointed out the advantages which those Viennese flats possess. To which I retorted that three things at least almost every English home does possess which those flats lacked—a fireplace, a bathroom, and hot water.

One convenience, however, those housing estates have which is rarely found in Britain—the communal laundries attached to each estate. I went over one of the latest, equipped with enormous electric washing machines, rinsing tubs, drying chambers and ironing rooms, all so efficient and up-to-date that a housewife can do the complete washing for a family of four or five (including sheets, for which there is a

special machine !) for a whole month in four hours. I saw the clothes put into the gigantic machines with so much soap, so much softening powder, the power turned on for seven minutes, and the clothes extracted as clean as any laundry could turn them out.

The hours of work in the laundry have to be carefully regulated, of course, and each tenant has her own special day and time. Many women told me that this "getting the washing done away from the flat" was one of the greatest booms of all. So enthusiastic were they that I hardly knew what answer to give when they said to me, accusingly: "But England is rich. Why cannot you have them too? More easily than us? Sell some of the stuff out of your museums!"

Thus would the women solve their domestic problems !

I came away from those municipal housing estates convinced that the luckiest of the working class in Vienna are housed in some of the finest buildings in Europe. I would place only the Hamburg housing estates ahead of them. But municipal building has had to slow down considerably owing to the falling yield of taxes. The slump has forced Vienna to pause in her great humanitarian task at a moment when the task is little more than half finished. Thousands of families, both working and workless, are condemned to remain in dwellings as different from these as daylight is to darkness. I wanted to see something of that darker side. Especially I wanted to talk with some of the city's workless and visit that Village of Misery which I had glimpsed across the river.

Completing my tour of the architectural splendours of Vienna at the Karl Marx Hof and the Fuchsenfeldhof, I set out, accompanied by my friendly guide whose life had been spent, in good times and bad, among the toilers of Vienna, to meet those who would have a very different story to tell me.

The first unemployed family I was to visit lived, I was informed, in Karntnerstrasse. Could it be possible for real

hunger to lurk in that lovely thoroughfare—the pride of Vienna?

Outwardly that famous shopping street—reserved for foreigners in these hard times—bears little sign of strain. The shop-windows are more gay and tasteful and elegant than our own Bond Street. The casual visitor does not know that the largest store in it has gone bankrupt twice; that the model dresses and alluring coats in the windows are turned and turned about week after week; that the failure of the ancient and famous *Wiener Werkstädte* gives every true and patriotic Viennese a sick feeling as he passes the empty windows. But even the casual visitor cannot escape the beggars who kneel at every corner, with their hands clasped in an attitude of prayer.

Still, there is a wide gap between business failure and the sort of privation I had expected to find in stricken Vienna. My spirits began to rise.

I was conducted down a little arcade between rows of gleaming plate-glass windows, behind which airy-fairy nothings in silk and lace were displayed with all the charm and allure of which the shopkeeper was capable—soft lights bringing out the sheen of satin, the sparkle of necklaces, the richness of exquisite soft furs. Surely the strangest portal to stark hunger in all Europe.

At the very back of the arcade we turned right, and through a door into a passage from which a staircase of bare wood, very clean and smelling of soap, led above. The first floor brought us to a shop which had sold woven rugs and furniture. It was empty. The second floor was closed. So was the third. On the top floor we stopped. A man was standing there with a rucksack on his back. It was the man I had come to see, just back from doing the morning's shopping in a near-by market.

He opened the door for us, and we stepped into a large light sitting-room kitchen. The walls were washed with a cream-coloured distemper, there were a few nice pieces of furniture, an embroidered cloth on the table, and, against

the window, a large aquarium with fishes swimming round and round. I thought of other stricken homes that I knew in Berlin, and Birmingham—and marvelled.

"Yes, we are lucky," he answered in response to my first comment. "We still have some things belonging to better days. My father lived here—and died here. He taught languages. And under the Rent Restriction Act we cannot be evicted; nor can the rent be increased. We pay the old rent of 26 schillings a month for three rooms, the smallest of which we have let unfurnished for 40 schillings a month. So we live not only rent free, but it provides us with an additional income of 14 schillings a month."

The man talked quite freely and frankly, occasionally interpolating a question which showed his interest in how the workers in other lands were getting along. He had been a book-keeper and correspondent in a large firm, and had even edited a small newspaper which was started for the people in 1918, but which had failed owing to lack of capital resources. For four years he had been unable to obtain any work of any kind whatsoever, and it was easy to see that the forced activity was preying on his mind. The strain showed in his manner, in his eyes. . . .

His wife was a young woman who had been a certificated children's nurse for fifteen years, and traces of her profession could be discerned in the way their two small boys were looked after—with every small possession, garment or article of toilet carefully washed, pressed and put into place.

Apart from living rent free, with 14 schillings over, the family's income consisted of a trifle over 16 schillings per week in unemployment relief, plus a special allowance of 18 schillings a month for the two children, giving—when the profit on the one room let unfurnished is added—a total income of 24·25 schillings a week for four persons.

"It lasts with care for the first four days in each week," said the husband. "We cannot resist buying food when we are hungry, and when there's any money left. The last three days we have to scrape through as well as we can.

Summer is not so bad. Winter is the time we dread. We could never have got through last winter if it had not been for the 'winter relief' organised by the municipality. The parcel of food once a month, and coal for that little anthracite stove in the corner was a godsend. We also get clothes for the children—sometimes."

"What do you manage to have to eat?" I enquired.

"Coffee and white bread for breakfast. Boiled meat, rice and cheese for dinner. Sometimes—on very rare occasions—we have tea, and for supper we have what is left over from dinner. My wife cooks on that little gas ring in the corner, but gas is rather expensive, so we use a petrol lamp for lighting."

There are thousands of middle-class families in Vienna living on the edge of the abyss like that, clinging pathetically to the remnants of a decent standard of life. Hard as life is for them, there are others for whom it is harder still. Many others. The massed ranks of the proletariat who had little or no margin when the crisis engulfed them.

In Bruckhaufen, on the north-western fringe of the city beyond even the factories, there is an enormous piece of waste land. On it the municipality dumped all the refuse and old materials from condemned houses which had been demolished. It immediately attracted those homeless people who had no shelter of any sort, either because they had no money or because there was literally no accommodation to be had, and in the course of time there arose an encampment there composed of the homeless, ex-criminals, gypsies, human refuse—and unemployed.

Out of the desolate waste shacks had risen, and little houses built crazy-fashion of abandoned brick. In time the footpaths got trodden down into "roads," nameless and numberless. The shacks affixed numbers to themselves, the temporary dwellings became more permanent, other dwellings arose as the destitute flocked there. The inhabitants cultivated vegetables, fruit and flowers where the earth permitted it, and trained creepers up the sides of their "home made"

homes. . . . Thus arose the Village of Misery, which I had glimpsed from the new estate across the river.

In this strange community of the stricken it took me a long time to find the family I had come to see, but by dint of continual questioning on the part of my companion, we at last managed to get on the right road and picked our way over stony dusty paths, up hill and down dale until we came at last to a square patch of very ashy ground, fenced in with wire netting.

Set as far back as possible from the wire netting was a ramshackle old " shed ", or what appeared to be a shed. It was weatherbeaten, torn, patched, with an old rusty chimney pipe sticking out of a hole in the roof. Two small boys sat on some wooden steps by the side of it, three cats purred round them, a white kid tethered near moved restlessly about, two or three hens pecked at the blades of grass in front of it.

Out of this shed walked a woman, whom it would have been very easy to visualise against an idyllic little cottage background. She was fair and very scrubbed, and she wore a print dress of pink and white, spotlessly clean. She was, I observed, a great deal too thin.

Very embarrassed and shy at the sight of the foreign visitor, she invited us into her " home ". The inside defies adequate description. There was just room to squeeze between two rows of furniture. It was piled up to the very roof.

It was, she told me, a furniture removal van (how appropriate !) which she and her husband had bought for 300 schillings. Her husband was a metal worker who had been unemployed for three years. Before losing his job they had been evicted from a condemned house, where they had been living in lodgings. Finding it absolutely impossible to secure alternative accommodation in Vienna, they bought the van, imagining it to be only a temporary refuge.

So it would have been, but for the slump. While living in it and trying to save up a little money to buy materials to

build, like many of the people around them, the husband lost his job and since then they had had to live on unemployment relief . . . or try to live.

I have seen stark poverty in many lands, including our own, but as that Viennese housewife told me her story in quiet uncomplaining tones I looked round in a daze of depression. Here, in the loveliest city in Europe, I had plumbed the ultimate depths of human endurance.

"How do you manage about water?" I enquired.

"We fetch it in buckets from three fields away."

"And what about cooking—heating—lighting?"

"There's a small stove for heating—it gets bitterly cold in winter here, because the van is so full of cracks," she answered. "Cooking is done on this oil stove. And we have a little oil lamp."

I thought of the danger of fire in that wooden trap, but probably such dangers are accepted philosophically in the Village of Misery. Life there is too hard to care very much. . . .

"This shed doesn't look particularly weather-proof," I commented.

"Of course it isn't," she said calmly. "But I'm not frightened unless we have a real storm. Then it cracks and shakes and sways until I'm terrified that it will be blown over or down. I've arranged now with a neighbour to sit with her in really bad weather."

The husband came in while I was talking—a respectable young man whose hair betrayed humorous and pathetic traces of a home-made (and unskilled at that!) cut.

I said nothing—what was there to say?

"Sleeping arrangements were difficult at first. But we got used to them. The eldest boy sleeps up in that bunk in the corner with my husband; the younger on this couch with me," the wife continued.

The "couch" was narrow, with wooden arms. As a bed for two persons it had obvious disadvantages.

"How can the State allow such conditions," I said at last, desperately. . . .

Here the woman councillor who was with me interposed quietly.

" Legally they don't—it's forbidden and against the law. But they have to shut their eyes to it. What can they do otherwise ? They've built 50,000 flats in the last ten years to relieve the situation, but even if they had continued at the past rate it would have been 1934 before the supply would have been equal to the demand. And unfortunately we have had to slow down. You cannot build without money, and the house-tax is not bringing in as much as it did. Everyone in Austria is getting poorer and poorer. The State bought a large building in the 9th district to be demolished to make room for another estate of working-class flats, but they've had to abandon the idea and turn the land into a park."

As I stood there, in that terrible little shed, with the poor patient woman in the print dress standing quietly beside me, I felt more depressed than at any other time in my journey—felt, too, that there was very much to be said for the Socialism of " Red " Vienna.

I had listened to many grumblers, many reactionaries, and many good conservatives during my short visit, but I left Vienna without having met anyone who dared to say that a single halfpenny of the multitudinous taxes levied upon those who have, for the benefit of those who have not, had been other than well and nobly spent.

" Come, and I will show you another and more cheering side of the picture," said my companion.

We shook hands, wished the wife well, and started to pick our way back across the encampment, whose inhabitants, be they ex-criminal or gypsy, reserve their worst sides for the outside world that seems to them so hard and unfeeling, and show only kindness to each other.

My eye was attracted by a bright red drain-pipe belonging to a trim little " bungalow "—one of the self-built houses. A woman washing in a tub outside the door, upon learning the reason for my presence, invited me inside.

" Yes," she nodded, " I built it myself, with the help of

SWITZERLAND'S PROSPEROUS PEASANTRY

Some of the food producers who have not been hit by the world slump.

THE LATE M. ALBERT THOMAS
First Director of the International Labour Office at Geneva.

one workman and my three children. My husband had run off and deserted me—and I had nothing else to do. I went out washing and cleaning in the meantime to keep ourselves and to pay for the materials. Altogether, including the workman's wages, the house cost 6000 Austrian schillings (about £250 at the present rate of exchange). It's got three rooms and a good cellar. I let off one room at 30 schillings a month. Then I get 6 schillings a month from the Children's Aid Society for each of the children, and the rest I earn from charring."

There was a little kitchen, complete with sink, oil stove and water, and two good rooms with polished wooden floors and painted woodwork. The rows of kitchen canisters, neatly labelled to denote the commodities they contained, and the polished saucepans, denoted the excellence of her housewifery.

I congratulated her on the home she had built for herself, and we proceeded on our way.

"One more visit you must make," my companion urged. "You have seen the best conditions of our unemployed—in the Karntnerstrasse; you have seen the worst in that shed here. I want to show you just an average unemployed family."

I felt I had no stomach for seeing more poverty, but I allowed myself to be led in the direction of the quarter where many factory workers live, and through the doorway of an apparently comfortable apartment house.

"There are twelve families living in this house," I was informed, "but only two are employed. Be careful what you say, for the couple I'm taking you to see tried to commit suicide recently."

Up the stairs we went until we reached a door. Waiting there I saw a plate of curious red peelings on the window-sill.

"Those are tomato skins and pips drying for the winter," my companion informed me. "They go into the soup and help to give it some sort of colour and flavour. Heaven knows, it needs it."

The door opened, and we walked into one of the most spotless rooms it has ever been my good fortune to inspect, not a sign of dust or dirt in any corner. The first thing my eye lighted upon was an embroidered cloth hung up on the wall behind the gas stove to catch any splashes. On its spotless white linen surface was embroidered a picture in blue linen and a large motto reading *Gut Appetit*—Good Appetite. I thought of those tomato skins drying outside for the winter —was the satire intentional ?

A little woman stood in the centre of the floor, scrubbed as clean as her own little kitchen, with not a hair out of place. She had the trembling nervousness and the insecurity of those who have been too much hurt in life and who have not recovered from the shock. Her husband stood behind her, a tall man whose face was marked with deep lines and hollows, and with hunger lines—I had come to recognise them, alas—beneath his eyes. Both were very silent, leaving it to my instinct to gather what I could.

Careful questioning elicited a few brief details. The man had been employed as a hand at Shuttleworth's, an old-established firm making agricultural machinery. In normal times they employed 1200 workers. Now they had only 90. That is one effect of the agricultural depression in Central and Eastern Europe.

Shuttleworth's is one of the very few factories in that district that has not closed down entirely. Shortly before my visit 800 women workers were dismissed in one week when a canvas factory shut down. A few great firms are hanging on desperately. The Austrian factory of Siemens and Schuckert, for instance, is working two days a week, and with only a third of their hands. One-third of the workers only are still on the pay-roll of the Fiat works, and they are only working four days a week. Two-thirds of the workers at the large locomotive building works near by have been " stood off ".

And so that sad-faced workman unfolded for me afresh the story of what the slump has meant to that one district

of Vienna—a story of industrialists beside themselves with worry and anxiety, and of decent hard-working citizens thrown on to the streets, to exist as best they may upon unemployment relief supplemented, if they have any possessions of value, by visits to Dorotheum.

There, in the heart of that 21st district, a magnificent building towers high above all its sordid neighbours—a great modern affair of concrete and steel with spacious halls and beautiful doorways.

It seemed to speak of prosperity, that pile. I gazed at it with admiration. Yet for all its chromium-plated fittings and spacious halls, that building represents for Vienna the slump incarnate.

Dorotheum! The State pawnbrokers! Like the Mont de Piete in Paris. "This is a new branch," said my companion. "It has only been open a fortnight."

We entered through the imposing doorway and into an enormous hall. To the right, up some steps, was a large room which looked like a very superior bank, with counters and glass windows, and superior young men standing behind. On my side of the counter were a few young men and women. I observed that they all had parcels, some in brown paper, some without paper, some even in sacks.

At that counter they handed over the household or other articles they had come to pawn, receiving in exchange whatever money is forthcoming, and the usual ticket made out for a certain period. At the end of that time the customer can either renew the loan, redeem his goods or let them go. In any case a high rate of interest is charged—pawnbroking in stricken Vienna is a speculative trade.

Upstairs I found the auction-rooms, where the unredeemed pledges are sold. In an enormous department glass showcases containing jewellery ("all marked in plain figures") stood down one side; numbers of dresses and coats stood in rows down the other. In the centre was a large counter spread with every conceivable sort of linen article—table-

cloths, embroidered things, towels, white underclothes, shirts and so on.

And they were new. That was one of the tragedies. They had been pawned as a result of bankruptcies. Or by some small shopkeeper desperate for ready money.

I turned to the glass show-cases, containing the only too-familiar array of articles of more sentiment than value. Wedding rings, chains, lockets with photos still in or taken out—all for sale " at slump prices ".

Swing doors led into a vast hall, like a lecture room, with rows and rows of chairs and, at the end, the auctioneer's rostrum.

" Here's a weekly booklet containing the details of future auctions," they told me. " Only 20 groschen."

That booklet contained twenty pages, minutely printed. *Mittellungen des Dorotheum*! And so I left that great building, erected as a monument to an impoverished world. Standing there amid the locked factories and idle machinery and hungry workless families. Dorotheum . . . the most flourishing concern in that once-flourishing neighbourhood. The one big business left. And the industry that grows richer and richer as its clients grow poorer and poorer.

Flanking Dorotheum, slightly to the left, is a large market, with the pleasant hum and chatter that all markets have. A few steps on and through a courtyard brought me to a Library for the Unemployed. Officially it was shut up for the lunch hour, but a few words from my companion brought a young girl up from the basement with keys to open the doors.

" We have free libraries, of course," said the girl, in response to my question, " but this building forms a sort of club for the people. Here they can sit and write. Sometimes we have lectures. And it helps them to feel that there is somewhere where they are really welcome."

I looked in admiration down the friendly rows of red and blue bindings in the beautifully-made shelves. Yes—there was something homely about that room, something personal, that made one feel there was loving care somewhere behind it.

I remembered Vienna's poverty. "Where does the money come from to support it?"

"Our local Socialist Party organisation—and voluntary helpers. They come three times a week and not only control the issue of books, but repair them, keep them in order, rebind them and so on," answered the girl. "We charge 10 groschen for taking a book out, and members know they are expected to take care of the books, which belong to all. Most of them do."

Reading, talking, and waiting for a break in the clouds. So 150,000 workless Viennese families have occupied the third year of world depression. I have told something of the conditions under which they are living, and of what the city fathers have done for them. One other amenity enjoyed by the poorest of Vienna must be mentioned. If there are few working-class houses which possess bathrooms, Vienna is a city of Baths. There are over twenty free municipal children's swimming baths in the parks and housing estates. There are more open-air baths for adults at which the charge is 30 groschen. There are still others with higher tariffs—up to one schilling.

I visited one of the most expensive on a warm summer day. It was crowded with young unemployed men of the more prosperous classes and with whole families who obviously went there for the day—mothers and children accompanied by knitting and sandwiches. From that bath I went to others, cheaper or free. All were so crowded that one could scarcely move, for those baths form a rendezvous for the unemployed of Vienna during summer months, the daily attendance being twenty, and even thirty, thousand. If one must endure the soul-destroying blight of unemployment, and hunger, then no better way of enduring it exists in all Europe.

That evening, crossing the Karntnerring, I saw against the dark blue sky an enormous illuminated arm, clad in a white sleeve, and holding a dinner plate, with the letters WOK above it, flashed in white lights, and then red. I remembered then that

more than one person with whom I had talked in Vienna had said, " You must see WOK while you are here." The city councillors had urged me to see WOK. The foreign press-correspondents had said it should not be missed. For WOK is the organisation for providing a good dinner at a low price blessed by the municipality as an insurance against hunger. Not only for the impoverished middle classes, but for all classes. Vienna was hungry in 1918. Many of its citizens are hungry again to-day. Hence the interest taken in this latest example of the enterprise of the Socialist government of " Red " Vienna.

WOK is not entirely state-owned, or state-run. The *Wiener Offentliche Kircher*, or Kitchen Company—to give it its full name—was started in 1921. Half its shares are owned by the municipality. It is doubtful whether it could have developed so rapidly without that official aid, or without the large public contracts to supply meals to schoolchildren which it fulfils at such low cost. Now WOK has 28 branches in all parts of the city, and has brought good cooking and a cheap meal within the reach of all who want it—and who can pay for it.

The menu which I studied beneath that electric sign in the Karntnerring promised an appetising meal at a price which was certainly most reasonable for Vienna. Remembering what I had been told, I went inside, into a large restaurant seating 90 people and decorated in modernist fashion. There I did what other people seemed to be doing, took my place in a queue before the Caisse, scrutinising the menu again as I waited. Here, cafeteria fashion, one chose the dinner favoured, paid for it in advance, parked one's awkward parcels at the free cloakroom next door, and then selected a table.

I had a good dinner, and so, obviously, did the other people sitting near me. The waitress who took my receipts hurried with them to the metal counter of an enormous serving-hatch, on the other side of which a large kitchen was clearly visible. I saw rows of aluminium saucepans, gleaming

silver, white plates stacked in hundreds, white-capped, white-aproned chefs lifting brown joints out of ovens. It was all there for one to see if one chose, but not near enough to spoil the appetite. As I left the restaurant, I noticed that near the door was a charming little café, where little knots of people were sitting drinking coffee, and eating cakes and sandwiches. In front of me were green marble counters, with closed-in racks of transparent glass, piled with cakes, flans and sandwiches. One that attracted me consisted of cheese, hard-boiled egg, salami and cucumber. The price was 20 groschen—about 2d. For 1·15 schillings, you could have a tea consisting of three of such sandwiches, a cake and a pot of tea.

Every branch is run on the same principle of good food at a low price, though some branches are cheaper than others, according to the district. I passed one branch in a business quarter of the city, for instance, which provided a good lunch for 77 groschen. The branch I had visited provided supper only at *à la carte* prices, but at lunch-time one had the choice of four prices—1·40, 1·75, 1·85, and 2·15 schillings. For the latter price the menu offered veal soup, rump steak, rice, gherkin salad, apple pudding. For 1·40 schillings one got semolina soup, stuffed bacon and cabbage, and apple dumplings.

My days in Vienna were over, and my time-table indicating that in a few hours I was due at Zurich, I bade farewell to the city of crisis. In its factories and homes, talking with its rulers and business men, I had formed one opinion which will perhaps not afford any great comfort to its sorely-pressed people. Despite virtual national bankruptcy, despite currency restrictions which are strangling its trade, despite bad housing conditions and larders that are often empty half the week, the severity of the depression, and the extent of the mass need, is not as great in Austria as it is in Germany. On that point even those whose work brought them into daily contact with the workless were agreed. The same hard cases were there—in abundance. But somehow those

who rule Austria, and Vienna, have managed to ease the burden a little.

The real problem for Austria, which existed before the depression came and will remain after its passing unless a solution is found, was expressed to me in a single sentence by Dr. Otto Bauer, the leader of the Austrian Socialist Party.

"Austria is being slowly strangled by hostile tariffs," said Dr. Bauer. "No lasting improvement can come while the conditions essential to prosperity are denied to us."

In one year, two years, three years, many of her army of unemployed may be back at work. Factories now closed may have been reopened. Currency restrictions may have been swept away. Interest payments upon foreign debts may have been resumed. Vienna may have discovered what many competent to form an opinion already believe—that the argument that a "city without a country", a head without limbs, cannot survive is fallacious. But even if all these things happen, that proud and still lovely city will remain a husk of its former self, and its people will never know security, until that jungle of tariff barriers which now impede inter-state trade between the old and new nations of Central Europe has been cut down, and the goods trains loaded with Austria's merchandise are once more passing freely over the Danubian territories where dwell those who are the natural consumers of the commodities she exports.

CHAPTER XIV

NOT-SO-LUCKY SWITZERLAND

THE difference between Austria and Switzerland is more than a difference of geography or history—it is the difference between 1928 and 1932. Between the depth of depression and, at least, superficial prosperity which in other countries disappeared three years ago.

"Lucky Switzerland!" murmurs the visitor whose eyes have seen the devastation wrought by the crisis in other lands. Lucky Switzerland with her cities still wearing an air of well-being and teeming with high-powered cars. With the highest standard of living in all Europe. Still on the Gold Standard. With no such things as an unemployment question at all until 1930. The land where a railway guard with a wife and two children is still at least four times as rich as a Hamburg shipworker, an Essen steel maker, or a Belgian miner. Where the lowest paid worker of all—the unskilled labourer—receives a wage of 7/6d. a day. Surely this happy land, with its beautiful lakeside cities, knows nothing about depression except what its people read in their newspapers. Here at least is a nation that has nothing to worry about.

So I thought as I walked down the Bahnhofstrasse at Zurich after my arrival from Vienna. With eyes attuned to detect signs of declining trade, I gazed about me. Zurich was, as far as I could see, still as busy as when I had visited it in 1929. The same tidiness and new paint. The same prosperous-looking shops. The same care-free sun-tanned people with that purposeful look on their faces characteristic of the German-Swiss. No sign in that street, or in the working-class districts of the city which I visited later, of patched clothes or hungry looks. No beggars. No workless men lounging at the street-corners. Switzerland, I thought, must be the paradise to which go those who would seek sanctuary in a slump-proof nation.

But I was wrong. It was a paragraph in a financial newspaper which I read while having breakfast on the terrace

of the Baur au Lac Hotel that morning which first hinted at the truth.

" The economic situation has further deteriorated ; exports have continued to dwindle, unemployment has increased, and business is generally very slack," stated the writer. And the message went on to announce that exports from Switzerland had dropped in value from 116,000,000 francs for the month of May, 1931, to 66,482,000 francs for May, 1932. A decrease, if those figures meant anything, of nearly 50 per cent in one year !

" It is felt that a general effort should be made with a view to bringing down production costs as well as sales prices," continued the message, " but the difficulty is that in Switzerland many products and articles are in the hands of big combines, which dictate their prices to retail dealers. The cost of living which has already dropped to 140 (1914—100) might be several points lower, but it seems almost impossible to bring about a substantial reduction so long as Customs duties and salaries are so high."[1]

Having looked beneath the surface of Swiss " prosperity " I can confirm the truth of that statement. There I found another picture, very different from that superficial appearance of normalcy—a picture of coming difficulties still unsuspected even by the mass of the Swiss people themselves. The industrialists, bankers and rulers of Switzerland are afraid. Afraid of the future, and afraid with good reason.

The prosperity of those busy cities I visited—Zurich, Geneva, Berne and the rest—and the high wages paid to the Swiss workers, depend upon the profits flowing into Switzerland from three sources. Exports, tourists and foreign loans—in that order. Exports are down by 66 per cent on the 1929 figure, and by 50 per cent on the 1931 figure. Her hotels are half empty; the tourist industry so badly hit that special concessions have been made to German importers in return for some slackening of exchange control in that country which will enable German holiday-makers to take

[1] *Economist*, July 23, 1932, p. 174.

up to 700 Reichmarks out of their country when going to the Swiss lake and mountain resorts. And many of the nations which have borrowed money from Switzerland cannot pay interest on their loans while the industrial depression continues.

Unemployment, unknown before 1930, has reached the record total (for Switzerland) of 90,000 out of 1,500,000 workers. The Swiss watch and clock industry, once famous throughout the world and enjoying almost a monopoly of the trade, has been all but killed by tariffs—at Geneva alone over 2000 skilled watchmakers are idle. Wages have already been cut 15 per cent in many trades, and more cuts are proposed, including a reduction of 10 per cent in the salaries of all State employees from January 1, 1933. More drastic cuts may be needed, but it is not easy to enforce them in a nation which has the highest cost of living in all Europe.

Contrary to the statements of humorists, the presence of the League of Nations at Geneva, with its delegations and attendant satellites to be housed and fed, has not enabled Switzerland to be indifferent to her export trade, although with the Disarmament Conference at Geneva, the Reparations Conference at Lausanne, and the annual Assembly of the League following these, it may be admitted that, next to the peasantry—the prosperity of which is due to special reasons I shall reveal later—those concerned with the welfare of political visitors have probably enjoyed a prosperity during 1932 which must cause Swiss exporting firms to envy them their good fortune.

As the Geneva joke puts it: "If only the Disarmament Conference can really get going, and its personnel be extended to permit the 2000 idle watchmakers of that city being enrolled as additional naval and military experts, Switzerland may yet weather the slump."

Finally, Switzerland may still be one of the great banking and financial centres of Europe, sternly repudiating all invitations from its manufacturing interests to indulge in a modest dose of inflation, in order to bring down the

exchange value of the franc, and as firmly on the Gold Standard as ever. But that Gold Standard, with the British visitor receiving 18 francs in exchange for his pound note, is not an unmixed blessing for a nation which draws a substantial proportion of its wealth from holiday-makers. As for the banks, though the difference in their financial position as compared with the Austrian banks is the difference between daylight and darkness, they are not having too happy a time. Swiss financial institutions were badly hit when Britain went off gold. They were hit when Germany was forced to declare a moratorium on private debts, which " froze " large Swiss credits in that country. And they were hit a third time by the Kreuger *débâcle*, in which Swiss banks lost one hundred million gold francs. Even a banker may be excused for saying, as one of them did to me, that " the position is not entirely easy ".

The position of Switzerland is, in actual fact, very far from easy. How can it be easy when lower labour costs are necessary in order to restore " competing power " with trade rivals in other lands (how does one " compete " with a tariff or quota, or with purchasing powers cut in half?), and when those same workers are themselves the victims of an artificially high cost of living?

The question was put to me by Ernst Walter, one of the leaders of the Social Democratic Party in Switzerland, and a spokesman of organised Swiss labour.

After outlining the serious plight of Switzerland's exporting industries, with machinery, watches, silk embroidery and chocolate—all leading exporting industries—bearing the brunt of the depression—M. Walter referred to the signs that wage reductions would shortly be demanded.

" Reductions of from 10 to 15 per cent have already been made in most industries," he said. " Bank clerks' salaries are down by from 7 to 10 per cent, and some insurance companies have made similar cuts. A Bill is being introduced for the lowering of the incomes of all State servants, including railwaymen, by 10 per cent from January 1, 1933. And these

cuts are only the beginning. But without a drastic change in our national fiscal structure, there is no escape for Switzerland that way. How can there be when, with the doubtful exception of Holland and Scandinavia, the cost of living is higher here than in any other country in Europe?

"Take rents. The cost of three rooms in a tenement to a Zurich worker is from 23/– to 25/– a week. Take bread. The Swiss peasant has for some years been protected from world prices by the government, which guarantees him 36 francs per 100 kilos for wheat. At present that guarantee means that our peasants are receiving more than double the price paid in other countries for Canadian or Roumanian wheat.

"Take butter and cheese. One-eighth of our dairy production is for export. One-third of our population is engaged in food production on the land. Yet by means of subsidies for exports and other means, the return to the farmer has been maintained at a figure which makes the price of milk, cheese and butter higher in Switzerland than in any other country in Europe.

"It is quite true that our wages are high. But our people need high wages in order to pay the high prices charged for the necessities of life. A skilled metal worker, earning 12 francs a day (10/– in English money on a gold basis) for a 48-hour week needs all those 12 francs when he has to pay 30 francs weekly for three rooms. And with food prices 40 per cent above even the high pre-war scale."

I have since made careful computations of relative costs, and it appears that the English mechanic earning 7/6 a day—25 per cent less—would be just as well off, in purchasing power, if not a little richer. That is without taking any reduction into account. Considered on this basis, it is difficult to see how sweeping "cuts" in wage rates can be made acceptable to Swiss workers unless accompanied by a reversal of the system which has maintained living costs at a level well above that of Europe generally. As long as the Swiss peasant remains the most "sheltered" man in that

country, and while tariff walls are used to perpetuate commodity prices which have long ceased to obtain in other countries, those manufacturing for export inside those tariff walls must remain at a disadvantage.

I left M. Ernst Walter in order to meet the highest paid town worker in the whole of Europe to-day. Or rather one of some thousands of workers who together belong to that highly-privileged class.

This was a railway servant employed as a conductor on the Swiss State Railways. At his invitation I went to his home, a sunny flat of four comfortably furnished rooms, which revealed both the good taste of his wife, and the depth of his purse. The general surroundings of the family, and their dress, would definitely have placed them among the middle class in Britain.

The wife made out for me a "budget" for that household. Her husband earned 6500 Swiss francs a year (or £5 a week). Rent cost him 1400 francs a year, and food for a family of four, 3000 francs, leaving a balance of 2100 francs, or about 33 per cent of his total income, for clothing, holidays, incidentals and savings. This family was, the wife stated, saving an amount equivalent to 10/– a week without stinting themselves in food or recreation.

Butter cost her 2/10d. per pound; lard 1/– per pound; beef 1/2d. per pound; mutton 1/11d. Tea, which is heavily taxed in many Continental countries and is not an article of universal consumption, was priced at 4/– per pound, but coffee cost only 1/1d., and cocoa a trifle less. Swiss cheese, bought in a Swiss shop, cost 1/6d. per pound.

This railway servant represented the aristocrats of Swiss labour. To learn something of life at the other end of the scale, I went next to the home of a labourer with a family of three, living in a poorer district of the city (there are no slums in Switzerland, only districts).

This man, employed in the building trade, earned 215 francs a month for an 8-hour day (about £9). He had never been unemployed for more than a few days at a

time—an important consideration in assessing prosperity in view of the intermittent character of such labour in other lands.

Out of that income of 215 francs, he paid 75 francs rent for two rooms. That sum, equivalent to 60/- a month in English money at the normal rate of exchange, represented the lowest rent for which a worker can obtain accommodation in the city of Zurich. Food cost 150 francs a month. Add those two items together, and it will be found that without putting aside anything for clothing, tobacco, papers, postage, amusements or any other incidental expenses, that home is already 10 francs short each month. That sum, too, emphasises once again the importance of purchasing power as compared with money-wages.

How does the section of Swiss unskilled workers represented by that labourer's home, manage to make ends meet? There is, of course, scope within that item of 150 francs a month for food for retrenchment without reaching the sparse diet of Germany's workless, or the careful weighing of every penny which is the lot of many British housewives in these days. But the Swiss proletariat does not balance its household budgets by such methods—not yet. That labourer pays his bills, and maintains a reasonably comfortable standard of life by virtue of the fact that his wife goes out to work for part of each day and her earnings are good.

Switzerland is a long way from being overwhelmed by "mass need". The problem is still within manageable limits. It is still possible for the good worker, whether man or woman, to make "a bit extra" in those prosperous cities. And in winter—at least in previous winters—if work is slack in outdoor trades for a time, the extent of the distress caused is still small enough to be alleviated by such paternal methods as the sale of food at reduced prices to those in need, and the issue of special grants to those temporarily idle for the purchase of winter clothing, coal, milk and other necessities.

In this labourer's home I noted down the menu for the day that I visited the family. Here it is—representing the most modest diet of a Swiss trade unionist to-day :

Breakfast. Coffee and bread.
Dinner (at noon). Soup, vegetables, fruit. (Meat at this meal three times a week.)
Supper. Soup, bread, cheese or sausage (saveloys costing 2d. each), coffee.

There is no distress in Switzerland—only a fear, high up, that the nation cannot continue to spend at the present prodigal rate at a time when its national income is 30 per cent less than it was in 1928. The drop may well be higher—there is no exact estimate available. It is one of the few countries in Europe in which the unemployment insurance fund is still solvent ! But 90,000 workers totally idle, and exports still declining, raise anxious doubts about the future.

The unemployed Swiss workman, providing that he has been a member of a friendly society for six months previous to losing work, receives a weekly payment from the unemployment funds, calculated on a basis of half his former wage if single, and 60 per cent of that wage if married. That relief continues for thirteen weeks, after which, if still workless, the recipient receives a " second category " benefit of half the original amount for a further six months.

Until the dawn of 1932, few people in Switzerland had troubled to enquire what provision would be made for a workless man who remained unemployed for a longer period than nine months. Now, for the first time, that problem must be faced, and the suggested solution is that the payments at the " second category " scale should be continued for a further six months, subject to a means test.

Perhaps because the national unemployment insurance system has never been drawn upon sufficiently heavily in the past to be a demoralising influence, there is no prejudice associated with the principle of unemployment benefits in Switzerland. Nor any fulminations against the " dole ".

DAILY SHOPPING IN FASCIST ITALY

Housewives of Rome making their purchases at a local store.

MASS FOR THE DESTITUTE

Scene at the Mass for the destitute and homeless, celebrated every Sunday at the Church of the Sacre Coeur, Montmartre.

Rather, the democratic Swiss regard the system as community assistance available for all members in bad times, and by the recipients as a right to which they contribute their share when at work, and which exists to help all in need.

At the Central Labour Office at Geneva I stood in the queue with the 5000 workless of that city. Just as the Swiss railway workers are among the aristocrats of labour in Europe, so those Geneva unemployed to whom I talked that morning may be described as the aristocrats of the workless millions.

They were there to get their cards stamped by the officials in order to draw benefit at the end of the week. While waiting their turn at the counter they chatted amicably together about the news in the morning paper, they joked, they swapped yarns. Having stood in the workless queues of over half a dozen different nations, I can affirm that only in Switzerland did I find no sign of strain, no despondency, no lack of confidence such as must sometimes overwhelm an unemployed British trade unionist when he remembers how long ago it was that unemployment first became a topic of conversation in this country. Those Swiss workless were well clothed, they still held up their heads and looked you straight in the eye. It was easy to see that unemployment was a new experience to most of them. They had not yet visited that office often enough to feel the strain which comes when the workless weeks grow into months and years.

Two thousand of the five thousand were skilled workers in the watch industry, thrown out of work by tariff restrictions raised against Swiss clocks and watches in other countries. It is significant evidence of the plight of this industry that a special rate of relief has been instituted for watchmaking and jewellery trades. Under this scheme, to which the workless are transferred after exhausting their three months benefit in the " first category ", an unemployed watchmaker with a wife and one child, receives a " dole " amounting to 5/– a day, and a single man 3/3d. a day.

All those unemployed, with few exceptions, had been

thrown out of work by the decline in the export trades, upon which one-fifth of the entire population depend for their livelihood. And behind that decline in exports is the tariff "war". First the United States increased the duties on Swiss clocks and watches. Then Britain cut down her orders. Other nations were too poor to buy and so practically all the watch and clock factories at Geneva and elsewhere are either closed down completely or working short time with reduced staffs. More surely than any other industry of which I heard during my journey, this Swiss industry has been ruined by trade barriers.

Conditions in the important machinery industry are not much better. Production is down by 40 per cent in the last year, and one large employer referred to the position as "the worst trade crisis in Swiss history". One worker in every four in the industry is out of work, and more than half the rest are on short time, which means less than forty hours a week.

I found confirmation of these figures at the works of the Ateliers de Secheron at Geneva, where electrical locomotives are manufactured, mainly for export. This firm is highly organised and old established, and its standing among the world's electrical railway equipment manufacturers is justifiably high. To-day there are few orders on its books except from France. Nearly half the workers at the factory have been discharged, and the rest have had their wage-rates cut in May, 1932, from 1/3½d. to 1/2d. per hour.

Accompanied by the managing director of the firm, I went through the workshops. Some were nearly empty—in one large machine department three men were at work where twelve months ago there had been thirty. Yet in many countries the electrification of railways is a long-heralded development, and Secheron locomotives, as used on the Swiss and French railways, are world famous. The lack of orders is a symptom of the world's vanished purchasing power.

At that plant, as in Germany, I had evidence of the extent

to which orders placed by the Soviet Government are helping to keep the wheels of Europe turning. One of the few jobs in progress that day was the making of the largest Diesel engine ever constructed in Switzerland, containing 1650 horse power. This was destined for the Caucasus.

The Swiss Government has consistently refused to provide credit facilities in order to develop trade between that country and the U.S.S.R., but the credits denied by the government *as a government* are in fact provided by a nominally private banking organisation formed for the express purpose of enabling Swiss manufacturers to take advantage of orders placed under the Five Year Plan.

Trade with other countries is encouraged by a system of "compensations"—or barter—which is being seriously worked by those controlling Switzerland's tariff system. Where a country seeks a larger market within her frontiers, as, for instance, Germany who has sought to obtain facilities for larger coal and iron imports recently, some latitude is allowed in the quota laws in exchange for a *quid pro quo* being forthcoming on the other side.

The lowest paid workers in the Secheron plant were women employed in the winding department, who were receiving a wage of 11d. an hour.

That employer was obviously on excellent terms with his workpeople. During our tour of the plant many of them talked to him and for all he had a cheery word. Alone in his private office again, he was not so optimistic.

"We are all in the same boat," he said sadly. "Our people understand that trade is not what it was. But if trade does not improve soon——" The sentence, left unfinished, was more eloquent, when I remembered those empty working places, than any economists' theories. Eloquent of a Switzerland which is sorely puzzled to know what to do about it. Whether to make a desperate effort to maintain the purchasing power of her home market by paying high wages out of capital, or whether, by embarking on a wage-cutting policy, to try to reduce costs and to attract orders.

The problem is more difficult to solve in Switzerland than in most countries, because the high cost of living stands in the way of drastic reductions in labour costs.

And it is the considered policy of the Swiss Government to maintain the peasants, forming one-third of the population, in prosperous conditions as a "balance" to the growth of industry, and the growing political power of the urban workers. Were foreign foodstuffs allowed to enter Switzerland, industry would benefit from sweeping reductions in the cost of living, but the farming population would be ruined. To prevent such a dramatic upsetting of the "balance", the government has not only placed prohibitive tariffs upon many classes of foodstuffs, but pays an export subsidy to the farmers—a subsidy which costs the Swiss nation more than does the relief of unemployment.

Those subsidies explain the otherwise unexplainable fact that in Switzerland, which exports huge quantities of milk, butter and cheese, the price of these foods in the cities is considerably above the corresponding price in Britain.

It is the same with wheat. I have mentioned that the farmer is guaranteed a price which in August, 1932, was 100 per cent above the present world price. Someone has to foot that bill, and the "someone" is the Swiss town-dweller, and, through him, the manufacturer.

Had the prosperity of 1929 and 1930 continued, this question of the cost of living might not have become the political issue which it is to-day. But with exports 66 per cent down in three years, I found both employers and trade union leaders frankly critical of this policy of sacrificing the industrial interests of the country to the supposed interests of the peasants.

I was told that the farmers of Switzerland see the hint of coming trouble in finding markets for that portion of their annual production which they must export. But my own impression, reached after motoring for some hundreds of miles through pastoral Switzerland, and talking with a number of her agriculturists, is that the Swiss peasants are almost the

only class that I met on the whole of my journey who, up to July, 1932, were not one halfpenny per year poorer on account of the greatest trade—and farming—crisis ever experienced. Tariff walls, guaranteed prices, and a benevolent government have wrapped them in cotton-wool so thick that without a definite change of policy on the part of their "political Godfathers" the slump cannot touch them. In that respect, at least, the historian of the Great Slump will find them unique.

What will happen if, as tendencies indicate, the depression over the Alps deepens, and industrial wages have to be further reduced, is another story. Either food prices will have to come down, especially bread and butter prices, or consumption will fall. Either way the peasants will be the losers.

More important for Switzerland is the future of her export trade, and, second only to that, her tourist industry.

No one can say when the Swiss hotels will be full again. No one can say when the 600 workers discharged from the Secheron Works at Geneva will be taken on again. No one can say when those thousands of idle watchmakers will do their next day's work. Meanwhile, although the wealth which those workless formerly produced, and those export orders brought into the Swiss banks, is lost, the nation is living up to the same high standard of living. Where is the money coming from? Can a nation which has lost one-third of its income in a single year still pay the highest wages and support the highest standard of living in all Europe without disaster? Or is that prosperity, and those doles to the peasantry, being paid for out of capital?

It is a pretty problem. I am not surprised that the Swiss are anxious about their future. It would be hard to accustom oneself to poverty after living comfortably for so long. But it may not prove wise for those in charge of the destinies of Switzerland to gamble on the depression ending before the problem must be solved. The sands in Switzerland's hour-glass—the hour for decisions—are running out.

CHAPTER XV

HAS FASCISM SOLVED THE RIDDLE?

HAS Fascism, as a method of government, proved capable of mitigating the effects of the world trade depression upon the industrial life of Italy? It would be unfair to imagine that any industrial nation, under any political system, could completely insulate its people from the effects of so severe a disturbance of world trade, and those who speak for Signor Mussolini are too wise to attempt any such claim. But enthusiastic Fascists, and their foreign admirers, do claim that the system of government which has existed in Italy since 1923 has maintained within the Italian frontiers a higher level of production and well-being than would have been possible under a democratic régime. Signor Olivetti, Secretary General of the Italian Employers Association, with whom I have discussed industrial conditions in Italy to-day, assured me that real wages in that country, measured by purchasing power, are now higher than they were in 1913, and, further, that the standard of living of both agrarian and industrial workers is higher than in pre-Fascist days.

I have no doubt whatever that Signor Olivetti, who lives in Turin, where the percentage of skilled workers is high and conditions normally better than elsewhere in Italy, genuinely believed both those statements to be true. But it is a wise precaution, when dealing with a country concerning which there exists such a conflict of evidence, to check one's facts carefully before accepting any statement whatever.

Having listened to the opinions expressed by Fascist officials, and the sometimes conflicting views of foreign observers qualified to speak and free to speak frankly when they wish, having myself seen something of life in Italy under Fascism, I consider it wiser, in attempting to assess the effects of the world depression upon that country, to confine my statements to what I know from first-hand knowledge, and to the official figures contained in publications issued by the Italian Government and in the reports of the League of Nations. Happily for my quest, the statistics

issued at Rome, and the economic and industrial news contained in the government-controlled Italian newspapers, are very complete. It is therefore possible, without relying upon hearsay evidence, to give a picture of how Italy is faring in the slump, based upon sources which one is entitled to assume are reliable.

The industrial crisis in Italy pre-dates the world crisis into which it merged. The *World Economic Survey* recently issued by the League of Nations gives the date of the " downward turn " in industrial activity in that country as the third quarter of 1929. But two years before that date the first hint of difficulties appeared in the Mediterranean sky, precipitated by the revaluation and stabilisation of the lire at what many authorities considered an unduly high figure.

Ignoring the effects of this monetary factor, the latest figures show that between January, 1930, and January, 1932, the value of Italian imports declined by 51 per cent and exports by 46 per cent. Half the trade of Italy, both inward and outward, disappeared during those two years. Severe as this contraction is, the decline in Italian external trade was less than that experienced by the United States, Czechoslovakia, Poland, Austria, and Germany. It was approximately the same as the decline registered on January 1, 1932, by Britain and France, but heavier than the decline in Belgium and Sweden. These figures are, however, only percentages, which do not reflect the proportion of the total production in each country represented by external trade.

To discover what that drop in exports means to the Italian people, who benefit up to a point from the maintenance of a " balanced economy " between agriculture and industry, one must look a little closer at the figures appearing in the government " blue books " at Rome.

Half the population of Italy consists of 20,000,000 peasants and their families. The number of persons supported by industry is about 9,000,000 including families. According to the census of industry taken in 1927, there were in that year 4,000,000 persons employed in productive industry,

including 838,000 proprietors, 258,000 directors, technicians and employees, and 2,906,000 workers. Of this number, no fewer than 1,510,304 workers were employed in enterprises staffed with less than 10 workers, while only 695 factories existed employing over 500 workers, with staffs totalling 692,866. Clearly, therefore, it may be said that Italy is not yet a land of large-scale, rationalised industries.

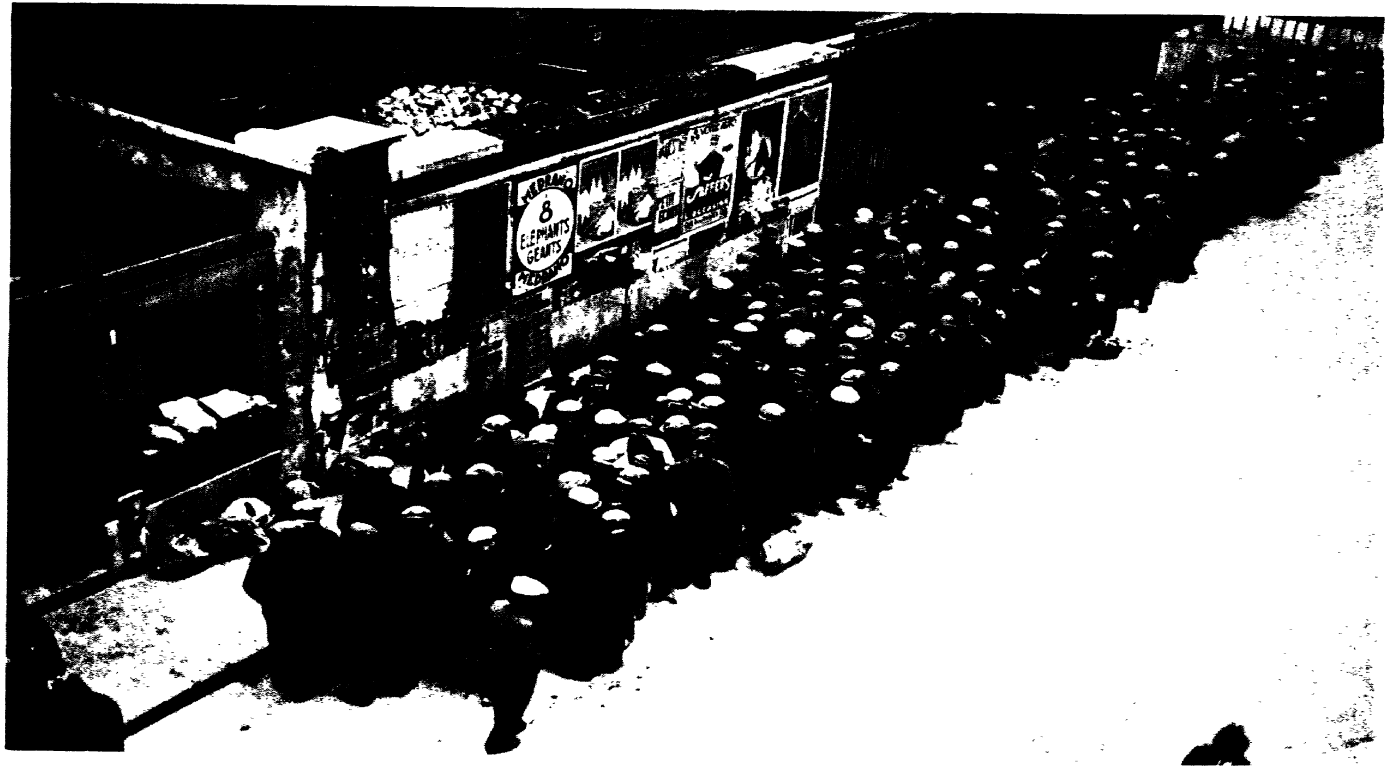
In attempting to estimate the effects of the slump upon the standards of life in Italy, it will make for clarity to deal with each of those three main groups—employers, workers, and peasants—separately.

The extent to which Italian industry as a whole has been hit by the depression may be judged by an interesting index of employment issued by the Corporation Department of the Fascist Government. Taking as its basis (100) the number of workers employed in September, 1926, the corresponding index figure for May 31, 1929, was 94·6, for May, 1930, 88·6, for May, 1931, 74·9, and for May, 1932, 65·4—a total decline in the number of workers gainfully employed of 35 per cent.

Further official figures for June, 1932, covering a group of industries formerly employing one million workers, tell the same story in actual numbers. On that date in the group of industries covered by the statistics, 406,000 workers were employed for a full working week, 49,000 were working overtime, and 190,634 were on short time. 350,000 workers in this selected group were totally unemployed.

Unemployment over the whole of Italian industry increased from 181,000 in 1926 to 414,000 in 1927 (the year when stabilisation of the lire was effected). After a drop to 364,000 in 1928, the number of workless began to rise steadily, and the increase has continued up to the present time. On August 1, 1932, there were approximately 931,000 workers totally unemployed and 500,000 on short time. Over 100,000 of the workless were normally employed on the land.

The national income of Italy amounted in 1926 to 100 billion lire. By 1931 the figure had fallen to somewhere between 60 and 70 billion lire—a decrease in national wealth



THE SLUMP REACHES FRANCE

A queue of unemployed French workers waiting to receive free soup at an emergency kitchen established in the third district of Paris.

FRENCH WOMEN WORKERS

Textile operatives marching through Roubaix during a recent demonstration.

of 30 per cent. During the same period the proportion of the national income absorbed by taxation rose from 20 per cent to the present figure of 30 per cent.

Turning to actual production, on June 4, 1932, 79 per cent of Italy's cotton spinning machinery was working, representing a decline of 14 per cent in the previous three months. In the weaving sheds of the textile industry, production was down 35 per cent in cotton, 42 per cent in linen, and 33 per cent in jute, and all three sections were still declining. The natural silk industry, as is perhaps understandable in the case of a luxury trade, was in an even worse plight. On April 30, 1932, 67 per cent of the machinery was idle. By July, that figure had increased to 89 per cent, signalising virtual, if temporary, extinction of the industry.

The wool industry was at that date working to 65 per cent of capacity. Shipping activity, on the other hand, was not so severely curtailed as in Britain and Germany. Out of 2,858,000 gross tons of steam tonnage and 521,000 tons of motor shipping, only 832,795 was idle on June 30, 1932.

Rail traffics—a sure index of industrial production—are down by 40 per cent since the beginning of the depression, the figures showing a monthly average of 4644 million tons for 1930, and 3164 million tons for 1932. The number of passengers carried has also substantially decreased from 112·2 millions in 1928 to 88·4 millions in 1931, and the figure for the first quarter of 1932 shows that the decline is continuing.

Finally, if any further evidence is needed that Italy has fared little better in the depression than other nations which still put their faith in more tolerant methods of government, the official figures recording the number of bankruptcies have risen from 726 monthly in 1926, and 1178 in 1930 to 1668 in 1932, while the yield of income tax is down by 20 per cent.

What has been the effect of this severe decline in prosperity, as revealed by every important index-figure issued by the Statistical Department of the Italian Government, upon the conditions of the industrial workers and of the peasants?

Wages have always been low in Italy. And Turin has

always enjoyed a rather higher general level of prosperity than other Italian industrial towns, partly owing to the presence in that city of the Fiat Motor Works. Let me, then, give one or two facts concerning the most fortunate of the Italian workers. In 1928 skilled engineers employed by the Fiat Company could earn from 35 to 40 lire (7/1d. to 8/4d. in English currency) in an eight hour day, while the average wage received by workers in the city was 4/2d. a day. That was before wages began to fall, and before unemployment began to assume serious proportions.

By April 30, 1931, one-fifth of the total working population of Turin was unemployed. Wages had fallen by about 30 per cent.[1] The number of passengers carried on the tramway service of the city showed a reduction of 1,697,000 for the month of March, 1931, compared with the same month of 1930. The sales of meat fell from 322,552 quintals in 1929 to 272,577 quintals in 1930—sure evidence of reduced spending power of the people.

Under Fascism, building activities continued apace throughout Italy until the depression made its influence felt. In Turin the number of buildings under construction fell from 36,700 rooms in 1929, to 24,577 in 1930 and to 2,200 for the first quarter of 1931. The slow onward march of the depression was petrifying the activities and impoverishing this once fortunate city.

Since the war, no country has developed its water power resources on bolder lines than Italy. In the absence of coal deposits within her frontiers, the electrification of the country by the harnessing of its water resources has proceeded apace. It may be still proceeding. I did not enquire. But if so, provision is being made for the future rather than for the needs of the present, for the consumption of electric power at Turin for February, 1931, was 10,581,000 kw.h. less than twelve months before. And since that date it has fallen further as the industrial life of the city has felt the deepening slump.

[1] Signor Malusardi, Secretary of the Fascist Unions in the province of Turin, in a speech reprinted in *Stampa*, May 12, 1931.

Turin, then, by common consent one of the "key" industrial cities of Italy, has not escaped the universal visitation. What of other parts of industrial Italy?

The average hourly wage paid in the principal industries in September 1928, was two lire,[1] or 5d. in English currency at the normal rate of exchange. On this wage, the average earnings of the Italian industrial workers before the full effects of the depression had been felt was about £1 a week.[2]

Since 1928, on the other hand, wages have been drastically reduced, the average decline up to June, 1932, being about 30 per cent.

"Between June 1927 and December 1928 wages fell by about 20 per cent as a result of agreements between masters and men in connection with the stablisation of the lire," states Signor Biagi, Secretary of the National Confederation of Industrial Unions.[3] "A further drop of approximately 10 per cent took place in 1929, and in November 1930 there was a general downward movement in some cases not exceeding 18 per cent, but in particular instances involving as much as 25 per cent. Moreover we must not overlook the fact that many other adjustments were made in 1931."

To quote actual instances, the salaries of bank employees were reduced by 36 to 37 per cent between January 1927 and December 1931; silk workers in the province of Como have suffered a "cut" in wages of from 31 to 40 cent.[4]

A report to the National Congress of Fascist Unions of Labourers shows that up to September 1931 the wages of agricultural labourers in Emilia had fallen by 30 per cent, in Lombardy by an average of 34 per cent, and in certain other provinces by 40 to 50 per cent.[5] Since that date fresh

[1] *Annuario Statistico Italiano*, Anno 1929, p. 320.

[2] Since Britain's departure from the Gold Standard in 1931 the value of the lire in terms of British currency has increased to correspond with the discount in the pound sterling, but this does not affect the purchasing power of the lire to the Italian worker.

[3] *Corriere della Sera*, March 26, 1932. [4] *Lavora Fascista*, January 19, 1932.

[5] *Corriere della Sera*, September 27, 1931.

reductions have been authorised, amounting in some cases to 25 per cent.

To maintain life on the low rates of wages prevailing, the Italian workers must accommodate a family of four in not more than two rooms. There has been no rent control in Italy since 1926, but rents are low, the average rent in the working class districts of Turin, according to figures supplied to me by Signor Olivetti, amounting to about 2/6 per room per week.

In the July issue of *Milano*, a review issued by the Municipality of Milan, there appears a " typical " working class budget showing the average weekly expenditure for the month of June, 1932, in that city. This budget is based upon a weekly income of 216 lire, or 45/–, and the various items are given as follows:

Rent	9/2
Food	24/5
Clothing	4/6
Lighting and heating	2/3½
Various expenses	4/7½

As I have shown, however, the average income of Italy's industrial workers is considerably below the figure of 45/– upon which this budget is based, even where both husband and wife are working. Taking 20/– a week as the total income of many working-class families, about 5/– of this sum goes in rent, and 12/– to 14/– a week for food. Whether or not families forced to live upon such a budget are " starving," as one Italian working man assured me, there can be no question that the standard of living in Italy is one of the lowest, measured in terms of material comfort, in all Europe.

On the other hand, business men who have for many years past paid periodical visits to Italian factories for the purpose of placing orders have formed the opinion that the standard of efficiency and general conditions in the factories have greatly improved by comparison with the years immediately before the Fascist *coup d'état*, which were, of course, also the years of post-war ferment and unrest.

What of the workless? Unemployment insurance is compulsory throughout Italian industry, excepting only agriculture, under a scheme which dates from 1919. Any worker becoming unemployed, and who has paid forty contributions to the fund, is eligible to draw benefit for a period of three months. The maximum "dole" paid in any case is fixed at 3·75 lire (9½d.) a day. And even this low sum ceases after thirteen weeks. It is perhaps not surprising to learn that the Italian unemployment fund is solvent—or that during the first ten years, from 1919 to 1929, the *Cassa Nazionale delle Assicurazioni Sociali* received 1275·7 million lire from employers and workers in contributions and paid out only 413·4 millions in benefits.

The regulation limiting payments to three months means that only a small percentage of the Italian workless are in receipt of any cash income whatever. In December, 1931, when the total unemployment figure stood at 982,321, only 195,454 of that number were in receipt of benefit. The rest were forced to rely upon communal assistance, which has been organised in the industrial cities. Under the welfare schemes, grants of coal, clothing, soup, rice, lard and other foods are made to those in need, but these grants are necessarily on a modest scale.

"In France, Belgium, Italy and the United States, the proportion of public expenditure (and of national income) devoted to the social services is much less than in Germany or Great Britain, but has tended to increase in the depression period," states the writer of the *World Economic Survey*.[1] In Italy, the absence of unemployment benefit for the workless after the first three months of idleness has necessitated the adoption of both emergency relief measures, and a bold policy of public works. Efforts have been made to provide employment by developing roads, drainage schemes, railroads and electrification projects, but the numbers thus given employment have not kept pace with the numbers displaced

[1] George Allen & Unwin. Page 266.

from industry by the deepening of the depression, as the figures for unemployment clearly prove.

It can, indeed, be said that in Italy the burden of unemployment is being carried, not by the government, but on the shoulders and in the empty larders of the people. Of all the leading industrial nations in Europe, only in France do the social services, and welfare expenditure, absorb so small a percentage of the total National Budget.[1]

"The Fascist Government will neither allow me to seek a living abroad, nor supply me with the means of life in my own land," another Italian workman declared to a friend of mine recently. And there is at least some truth in that criticism. For even before the world depression stopped migration, the Italian authorities were actively discouraging the seasonal movement of Italian labourers into France and other countries. Had the flow of emigration to South America and to European countries not been interrupted, the social standards of working-class life in Italy would not, it is safe to say, have fallen to the present level.

The pressure of population, and its results at a time of depression, is even more pronounced, however, among the peasants than in the industrial towns. The earnings of agricultural labourers, who, together with their families, form half the total population of Italy, have fallen from 30 to 50 per cent since 1927. To-day land workers in the north of Italy are receiving 10 lire or about 2/2d. a day for eight hours' work. In the province of Cremona, the wage of hourly workers was fixed by the last collective agreement at 1·10 lire, or about 3d. per hour, while the annual wage likewise fixed by Fascist law, for the same district, is 1640 lire, or about £17 10s. per year.

In the poorer south of the country, agricultural wages now amount, on average, to no more than 6 to 8 lire (1/3d. to 1/8d.) per day.

[1] For the year 1928–29 the cost of social welfare absorbed 9 per cent of the total British Budget, 7 per cent of the Belgian Budget, and 3 per cent of the revenue collected by the Italian Government.

Side by side with wage reductions rendered necessary by the calamitous fall in the prices obtained for farming produce, there has developed a tendency towards payments in kind. Many land workers are now paid, or partly paid, in foodstuffs, while peasants renting their land hand over to the landlord half the produce grown during the year as "rent".

Any doubt that the peasants of Italy have fared no better than those in other lands during the past three difficult years, can be dispelled by the incontrovertible fact that the population of Italy is forsaking white bread for a maize diet.

There exist well-known medical reasons for condemning a diet in which *polenta*, a porridge made of maize flour, is eaten instead of meat and white flour, as unhealthy. True, maize is cheaper than wheat, despite the action of the Italian Government in steeply increasing the customs duty on maize in 1931, for the respective prices per quintal in 1931 were 101 lire for wheat and 56 lire for maize. Maize "bulks" larger, and one has to eat little *polenta* to banish hunger. But it is deficient in certain necessary food values, and any population forced to endure a diet composed mainly of maize is prone to develop in its midst a disease known as *pellagra*. This disease was prevalent in rural Italy before 1900, when the standard of living was very low. The rising standard of living of the peasants resulted in its disappearance after that date, and *pellagra* was unknown to the present generation of Italians until the depression necessitated the reintroduction of a maize diet to replace more costly foods.

That the reappearance of the disease is directly due to the reduced standard of living of the peasants is borne out by the official figures covering the importation of maize. The quantity imported in 1925 was 1,668,240 quintals. By 1929 the figure had risen to 7,659,590 quintals, and a further increase has since taken place. To-day Italy is importing six times as much maize as that country did seven years ago.

The results of reduced earnings upon the standard of living would have been even more drastic had not the Fascist

Government successfully linked the decline in income, to some extent, with the reduction in the cost of living.

Italy is to-day one of the cheapest countries in Europe for the working man, (measuring " cheapness " in terms of the purchasing power of the English shilling), the cost of living in March, 1932, approximating to the 1914 figure.

Fortified by low living costs, and inured by experience to a standard of housing and life below the average for Western Europe, the Italian people may feel that their lot is no worse than it would have been under any alternative system of government. On the other hand, there is nothing in the influences visible on the Italian industrial scene to-day to justify those living in other lands pining for the coming of a dictator as a means of alleviating the trade depression.

" Of the 931,291 unemployed registered on July 31, only 275,000 were drawing insurance money," stated a British newspaper correspondent recently.[1] " 131,588 of the workless are normally employed on the land, while another 114,338 are normally engaged in industries connected with agricultural products.

" The sudden drop in wholesale prices of produce, the increase in taxation, and the universal restriction of imports by countries which hitherto absorbed much of Italy's fruit and vegetables, are the chief causes of the farming crisis.

" Unemployment will grow as the season advances, and there is much speculation among all classes as to how the government will meet the additional expense of carrying out those public works which have been planned for partial alleviation of the inevitable distress during the winter."

Fascism, like democracy and every other method of government existing in the world to-day, cannot effect a cure in one country while the whole world is afflicted. It may be that the energy which the Fascist creed has engendered in Italian life has strengthened the will to survive. But even Signor Mussolini cannot shorten by one hour the depression which to-day hangs like a black shadow over that land.

[1] *Observer*, August 18, 1932.

CHAPTER XVI

FRANCE—THE "SLUMP-PROOF" NATION

I HAD travelled a few thousand miles before I found a trade union leader who was not interested in unemployment figures. But I found that rare species in the end. He was sitting in his office in Paris, and from the fact that he was unable to give answers to most of my questions concerning the effects of the world trade depression upon the hundred thousand members of his union, I gathered that the French working men are not very excited about the greatest trade crisis in history.

"French people do not like statistics," said my friend, the trade union leader, by way of explanation for the fact that he had so little in the way of figures to offer me.

I discovered that there are several things which the French people do not like. They do not like comparisons being made between the comparative prosperity of France and the plight of less fortunate nations. They do not like references to that mountain of sterilised gold lying in the vaults of the Banque de France. French working men do not like admitting a visitor into their homes, or replying to questions readily answered by the workers in other lands. Above all, French industrialists are horrified at the idea of admitting any visitor, whatever his credentials, into their factories. Efforts made by the Ministry of Commerce and Industry to secure permission for me to visit the Schneider Works, the textile mills at Lille, and the silk factories at Lyons, in each case met with polite but firm refusals. For, amazing as it may sound to English ears, France is suffering from spy-mania, and suffering so badly from that disease that a French government official assured me solemnly, by way of explanation for his inability to accord me facilities readily granted in the case of every other country I had visited, that "many of the foreigners who want to see French factories are trade spies." And so the doors of the French industrial plants, with one exception, remained obstinately shut.

All of which did not make it any easier to discover just how far " slump proof " France has been affected by world conditions. Patience will accomplish most things, however, and by using up some of that useful commodity, I secured a picture of conditions in France to-day which amply justifies the reticence of French officialdom to talk about the trade crisis. Successful nations, like successful people, are not always popular with those who are less fortunate. Conceal the light touch of depression upon the beloved soil of France, at least until the last few months, and France stands out less conspicuously among the stricken nations around her. Especially Germany, the nation which one French industrialist declared to me was " playing her biggest bluff " and is really better off than France !

France gains in another way by official indifference to the depression. That fact helps to keep her people cheerfully confident that whatever may be true of nations like Britain and Germany, to whom exports are vital to prosperity, the slump will never seriously trouble France. The most remarkable fact about the days which I spent in that country is that I did not meet a single French citizen who was pessimistic or worried about the future. When I pointed out to one working man that France had lost 50 per cent of her export trade, that rail traffics were down 17½ per cent in the last year, and that the number of workless in receipt of unemployment benefit (only a small percentage of the whole, for reasons I shall state) had increased from 28,936 on January 30, 1931, to 241,487 in January, 1932, he answered complacently, " Well, I'd never have thought it."

If no one in France, except the employers in a few exporting industries and the Minister of Finance who is faced with a Budget deficit, is worrying overmuch about the effects of the world-wide trade crisis, it follows that there cannot be very much to worry about. And, compared with the plight of other nations, there is not.

The slump has hit France, but it did not hit her at all until 1931, and then not as hard as other nations. When I sought

the reasons for this satisfactory fact, the answers that I received were many and varied. Some, in answer to my question, pointed out that France is more self-contained than most nations—that her peasants grow food for the cities, and the cities manufacture for the peasants. That " natural equilibrium " between town and countryside is responsible for much. Others stressed the fact that exports had never figured as prominently in France's trade budget as, for instance, was the case in Britain. Again, my attention was directed to the high consuming power of the internal market, reduced very little, if at all, up to August, 1932. As evidence of the importance of this factor in maintaining prosperity, it was pointed out to me that the so-called " Paris trades ", the manufacture of luxury articles like bijouterie, perfumes, and so on, have been badly hit by the tourist slump, whereas those trades dependent upon the purchases of the ordinary French housewife and her husband have suffered hardly at all. One business man to whom I put the same question saw the answer in that mountain of gold that reposes in the vaults of the Banque de France, but he was a foreigner. Others, Frenchmen, were content to make an expressive gesture in reply, and point out that—well, France is France.

Probably all these different factors have played their part in helping to keep France " slump proof ". For, despite declining production and increasing unemployment, it remains true that that nation has suffered less from the great " slow down " than any other country.

France is to-day the richest nation in Europe. Her workers are the most fortunate and the most thrifty. Her peasants may be grumbling and her wine industry badly hit, but there is no real privation in her countryside. Her organised co-operative movement, a sure index of working-class prosperity, reports that the turnover in the co-operative shops is still rising. I could find no single shred of evidence that revealed any decline in the purchasing power of the French people. One or two trades are suffering badly. But others are hardly touched by the depression. If anyone in

France is apprehensive about the future, the reason lies not in the mounting unemployment figure, but in the fact, recently announced by a French statistician, that by 1935 the number of Frenchmen attaining military age will decline by one hundred thousand, due to the sterility of the war years, and there will be an annual shortage of that number until 1940. Hence, perhaps, the feverish interest which the French public is taking in disarmament—and the German demand for " equality " in the military sphere.

The facts support the optimism of the average Frenchman and justify what I have written.

The volume of industrial production in France for the years 1929 and 1930 was 10 per cent above the 1928 figure. For 1931—a year of acute and deepening depression all over Europe—production was only 2 per cent below the figure for 1928. Up to December 31, 1931, France could claim that for her there was no slump. For the first three months of 1932, production was 80 per cent of the monthly average for 1928. For April, 1932, it had dropped to 70 per cent—a total decline up to that month of 30 per cent. And that contraction had been confined to the opening months of 1932 !

To secure detailed figures showing the decline in production for individual industries in France, one is dependent upon figures published in the *Bulletin du Marche du Travail*, the official organ of the French Ministry of Labour, which record the decrease in activity measured by the reduction in workers employed and decline in hours worked.[1]

The latest figures available from this source show that the output of the French mines for the month of December, 1931, was 16·3 per cent below the corresponding figure for December, 1930. Textiles were 26 per cent down, the paper industry had suffered a reduction of 15 per cent, and the chemical industry a decline of 16·4 per cent. Transport was recorded as having suffered a decline in volume of 9·5 per cent in the year, but building trades had dropped only 5 per cent.

During 1932 a further contraction in exports has taken

[1] No. 752 bis. June 10, 1932.

place. The official Bulletin of the Ministry of Commerce and Industry reports that for the first seven months of 1932 compared with the same period of 1931, imports are down by nine billions of francs and exports by seven billions of francs, exports showing a fall in the year equivalent to about 40 per cent in value.

What may well prove the lowest ebb of French trade was reached in August, 1932. During that month imports were 2,274,000,000 francs, against 3,188,000,000 francs in August, 1931, and 4,051,000,000 in the same month of 1930. Exports were 1,426,000,000, compared with 2,310,000,000 francs in August, 1931, and 3,127,000,000 francs in August, 1930. Thus although industrial production in France had decreased by only 30 per cent, exports were "down" by more than half in two years, further proof of the remarkable stability of the internal market.

During July, 1932, revenue returns showed that the yield of taxation from all sources—another barometer of prosperity—was 33 per cent less than in the corresponding month of 1931.

Traffic receipts of the French railways similarly reflect this slowing down in the economic activity of the country, the total receipts for the first half of 1932 being 17½ per cent below the same period of 1931, for the whole of France, and 20 per cent in the industrial north. The daily average of goods trucks loaded was 65,100 in 1929, 65,400 in 1930, 54,900 in June, 1931, and 47,200 in June, 1932.[1]

In the light of these figures, it may be estimated that the decline in industrial activity in France, due to the depression, amounts to from 25 to 30 per cent.

The number of unemployed workers in receipt of relief on August 31, 1932, was 263,000, of whom 140,000 were in the Paris area. But this figure covers only that fraction of the workless who have exhausted their savings, for the Frenchman still looks upon the "dole" as a charity, to be accepted only as a last resort, after the last centime accumulated during

[1] *Economist*, August 20, 1932.

the good years—and 1930 was a "good year" in France—has been exhausted.

No official figure exists of the total volume of unemployment in France, but according to an estimate given to me by the Secretary of the General Confederation of Labour, there are one million workless and a similar number partially unemployed, the industries most depressed being iron and steel, textiles and the luxury trades. That idle million were all in jobs in 1929, when France had no unemployment at all. Most of them were working twelve months ago. And there is evidence that the number of unemployed has declined during the past six months, which perhaps explains the confident belief of three unemployed men out of every four that the chance of work will come along before they have exhausted their "nest eggs", and are driven to apply to the municipalities for relief.

The scale of relief afforded to the citizens of France who overcome their scruples and apply for aid, varies according to whether the applicant resides in Paris, the suburbs or the provinces, being highest in the capital.

Official figures of the French Ministry of Labour show that a single man receives 70 francs (12/– at normal rate of exchange) if living in Paris, and 49 francs (8/–) in the provinces. The corresponding rates for a married man without children are 101·50 francs (17/9d.) and 77 francs (12/10d.). Payments for families with children are proportionately higher, a family of four receiving 157.50 francs (26/3d.) in Paris and 126 francs (21/–) in the provinces.

This "dole" is subject to a means test, which perhaps explains its unpopularity with the French workers. For a means test necessitates enquiries and official visits to the home, and every Frenchman resents anyone "prying" into his private affairs.

In cases where the total income of a family of four, one member of which is unemployed, exceeds 47 francs (7/10d.) a day, or 25 francs (4/2d.) a day for a family of two, no benefit is allowed.

This means test, and the fact that the Frenchman is loath to apply for aid until no other course is open to him, is responsible for the fact that during 1932 the French Government does not expect to spend more than one milliard of francs, or about £8,750,000 in English currency at normal rate of exchange, upon unemployment. And this despite the fact that no contribution to the unemployment fund is made by either employers or workers ! That figure is striking evidence of how the ingrained habit which causes every Frenchman, however small his income, to put aside 25 per cent of his earnings is helping the country to escape one of the major dangers of the trade crisis.

To meet those Frenchmen who are not too proud to apply for unemployment relief, and to learn something of the way in which the municipalities are handling the unaccustomed task of relieving distress, I visited Puteaux, an industrial suburb of Paris where are situated iron and steel works, motor-car and miscellaneous factories, armed with an introduction to the Mayor.

Puteaux was a good choice, for within its boundaries is mirrored industrial France in little. If anything, it has been hit harder by bad trade than most localities, for of its 38,000 inhabitants, 1500 had registered for unemployment benefit on September 1, 1932, compared with 489 a year previously. That 1500 did not represent the full extent of unemployment, which the officer in charge of the unemployment office estimated at 6000. In other words, if all France had been hit as hard as this industrial township near Paris, France's unemployed army would number nearly seven millions instead of one.

It is typical of the spirit of democratic France that the first thing which caught my eye inside the Maire at Puteaux was a copy of the *Declaration of the Rights of Man*, displayed on the wall of the main office where every citizen entering that building to seek advice, guidance or help, could read that declaration which is the birthright of every French *citoyen*.

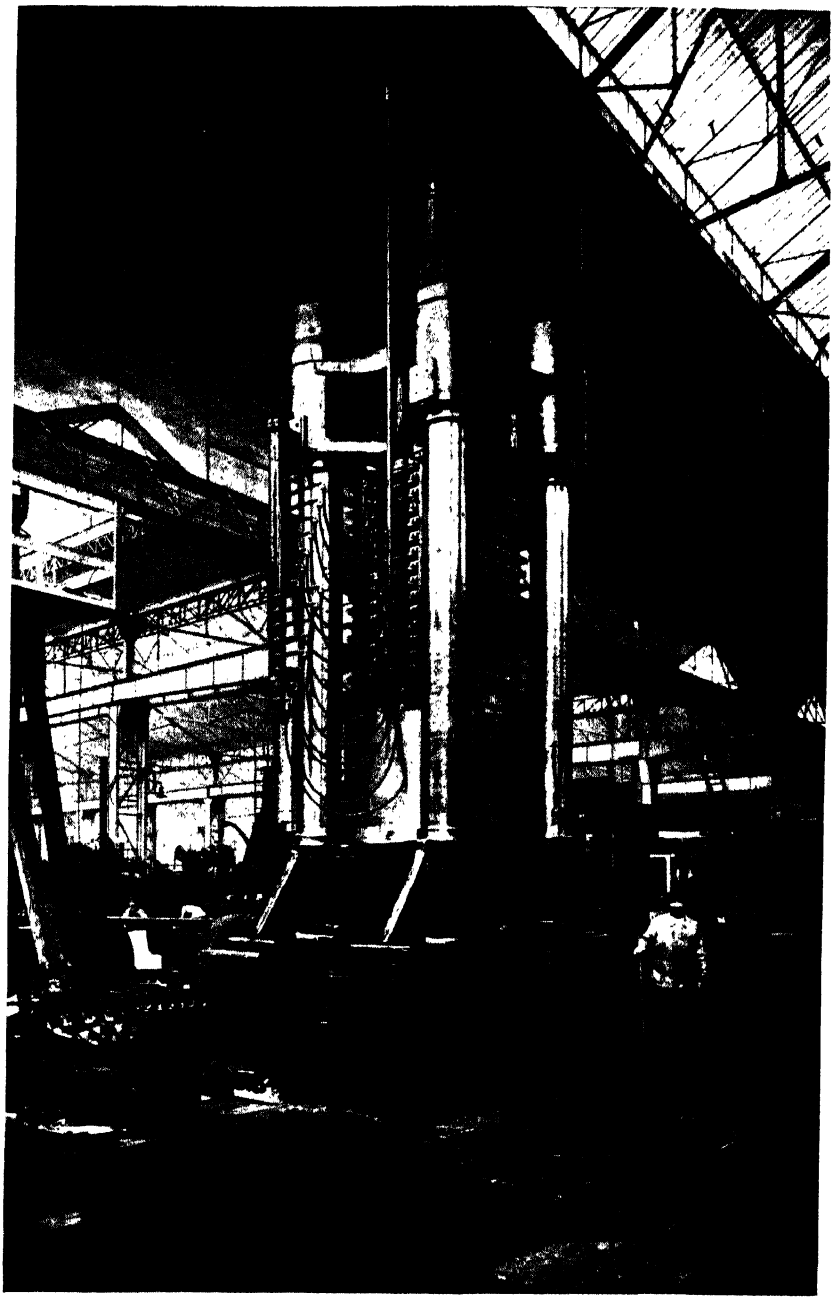
It was typical of France, too, that to find the improvised office set aside to deal with the new problem of unemployment I had to cross two courtyards and climb a narrow flight of stairs, finally entering a room with pink roses on the walls and three or four clerks working on the card indexes which record the industrial " temperature " of Puteaux.

The conditions governing the payment of unemployment benefit are strict. In addition to the means test already mentioned, all workers have to report to that local relief office twice a week, and workers in trades subject to casual employment, such as domestic servants, barbers, and restaurant workers, every day.

The hour at which each must report depends upon the number on his relief card, and a schedule displayed in each office shows the various hours at which holders of different serial numbers must attend. Thus bearers of cards numbered 200 to 400 must attend between 10 and 11 a.m., holders of cards numbered 400 to 600 between 11 a.m. and noon, and so on. It is, perhaps, because of this provision that one rarely sees unemployment queues in France.

For half an hour I stood in that office and watched the stream of men who climbed those narrow stairs to have their cards stamped. It was all done very competently and swiftly, despite the fact that the room itself only measured about 10 feet by 8 feet. The workless were indistinguishable from any other worker in France. They were dressed neither better nor worse. They certainly looked well fed. They were cheerful. If they had to wait for a minute or two before their turn at the table where an official sent from Paris to run the department was attending to them, they talked and laughed. There was no tension, but then 60 per cent of all the workless at Puteaux are skilled motor-engineers, who formerly earned good money and will doubtless soon be earning it again.

There was an air of improvisation, of temporary activity, about that little room strangely remote from the Labour Exchanges of Britain and Germany. If France ever has a real



THE MIGHT OF INDUSTRIAL FRANCE

A 6500-ton hydraulic press (with heated plates) at the Somua engineering works on the outskirts of Paris.

BUSY ON ORDERS FOR ROAD TRANSPORT

The engine assembly plant at the Somua works.

unemployment problem she could solve if for the first year by turning the workless on to the task of building Labour Exchanges. At present, handling applicants for relief is just one more task for the commune, absorbed without fuss in the organisation which provides that minimum of government and interference which the French nation considers the best.

Later, I talked with some of the workless in their houses. From them I learnt how France looks after its workless citizens.

No unemployed family can be turned out of their home for the non-payment of rent. Where this fact means hardship for a landlord who may be as poor as his tenants, the municipalities pay at least a portion of the rent due. In one home I visited, the municipality was making a special additional allowance to the family of 4 francs a day for the man, and 50 centimes for each of four children—to enable the weekly rent to be paid.

Another workless home was occupied by a widow and five children. One, a boy of 16, was working three days a week. The amount of relief received for the remaining five persons was 23·50 francs a day, plus food tickets entitling the family to 3 kilos of bread, 4 francs worth of groceries, and 3 francs worth of meat a week. During the winter months, the family will receive, in addition, 2 litres of milk a week, and a hundredweight of coal a month. The total value of the relief received by the family was approximately 32/– per week for five persons. To this must be added a special allowance of 120 francs a month paid by the Government to the mother for having produced five children for France.

The home consisted of two rooms and a kitchen, and the rent was 500 francs (84/–) a year. The woman was an embroidery worker, and had been unemployed since early in 1931. She thus ranked among the "veterans" of the French unemployed.

Both the accommodation and the furnishings of the home

were poor, but the children were healthy and the woman herself showed no sign of strain.

Her weekly menu, she told me, consisted of meat on two days, macaroni, potatoes, cabbage, lentils, margarine and bread. For the children she bought two pints of milk a day.

I saw the midday meal which had been prepared for her family, and once more was struck by the competence of the French housewife in the matter of feeding. The stew in the pot, although it contained no meat, looked and smelt appetising. It had cost 4 francs. A hot meal for less than twopence per person !

" We manage well enough. You see I am used to looking after the centimes. I've brought up five children," she said, when I commented upon the meal.

Certainly if the unemployed families at Puteaux are any criterion, there is no destitution in France, and no real privation such as exists in Germany.

The unemployment problem represented by those homes would, undoubtedly, have been more serious but for one important fact. It is well known that France has a stationary population. Until 1930 an actual shortage of labour in certain industries was no unknown phenomena, which explains the yearly migration into France of 200,000 foreign workers—Poles, Jugo-Slavs, Roumanians and others—who were absorbed in the mines and in agriculture.

Since production began to lag two factors have tended to reduce this alien population. The regulations governing the admission of newcomers have been considerably tightened up, and any foreign worker who entered before 1931 without taking the precaution of securing the necessary card of permission is not eligible for unemployment benefit. He may be unemployed, therefore, but in the unemployment statistics he does not exist.

Further, many foreign workers already in the country, having lost their employment, have preferred to return to their own countries rather than live on unemployment benefit in France. The stream of migration has during the

past twelve months flowed in the reverse direction to former years. It is largely because of this fact—the stoppage of further importations of foreign labour and the homeward drift of those already in France—that the figures of industrial production suggest a more serious decline than do the unemployment statistics.

Despite the departure of many foreign workers, however, the number remaining in France is large enough to provide the visitor with strange experiences when travelling in that country. Motoring in the industrial north, accompanied by two friends, one a Russian, I had some difficulty in finding the house of an employer whom I was anxious to visit.

The Frenchman with me asked ten men in five villages through which we passed if they could direct us to an address which we knew could not be far away. None of these ten men spoke French! And this happened within twenty miles of Lille. The eleventh man we stopped was a Russian, and his fellow-countryman in the car had to interpret to me the directions which the man gave us in the Slav language.

Not all the foreigners who have found work in France since the war could go home if they wanted to—at least without spending a good slice of the remainder of their lives in the prisons and penal settlements of Russia, Italy, and Hungary. They are the homeless exiles to whom France, to her lasting credit, offered a home when they had no home of their own, and towards whom the French authorities have extended a hospitality and benevolence which is an example to other nations.

To them the depression has meant increased hardship which has imposed a severe strain upon the benevolent funds maintained by each group for the assistance of distress among their own members. Even so, none of them would deny that they are better off in France than are their compatriots in other and less fortunate lands.

What of the mass of workers still in employment? I talked with the secretaries of six of the biggest trade unions in France and all agreed, in answer to that question, that the

French workers are to-day little worse off, if at all, than they were in 1928. And 1928 was a boom year ! That statement, standing by itself, would suggest that France, industrially speaking, is holding her own. Considered in conjunction with the facts contained in this volume, or in the light of British conditions, it is one of the most remarkable of all the facts relative to the condition of Europe to-day.

Leaving aside one or two especially depressed industries such as textiles, about 50 per cent of the French workers have had their wages reduced by from 5 to 10 per cent. On the other hand, the retail price index of 34 common household articles has declined from 621 in 1929 to 547 in July, 1932. Judged by purchasing power, not more than one French worker in four still in work has suffered any reduction at all !

A reduction of 5 per cent in salaries of civil servants was proposed, but after the threat of a strike, this was dropped and instead a similar saving was made on materials, paper, pens and stationery supplied in government and municipal offices.

A similar proposal to reduce wages of employees of the State railways met with strong resistance and was abandoned.

There have been eleven changes in the wages paid on French railways since 1919, the last taking effect on June 1, 1930. Since that date the minimum wage paid to railwaymen living within the Paris area is 11,600 francs (£96 10s.) a year, with an allowance of 804 francs (£6 14s.) for each of the first two children, and 2040 francs (£17) for each child above that number.

The average wage received by engine drivers within the Paris area, including family allowances, is 25,000 francs, or almost exactly £4 a week in English currency at the normal rate of exchange.

Railwaymen attaining the age of 55 years, and having 20 years' service to their credit, are eligible to retire upon a pension equal to half their earnings upon retirement. To this provision is due the fact that although the personnel of the French railways has been reduced by about 25 per cent

during the past few years, there is no unemployment in the service, the places of those retiring having remained unfilled.

The same distinction could not be claimed by the secretary of the French Textile Federation. A malign fate has apparently decided that the workers in the textile industry in all countries shall bear more than their fair share of the burdens of the economic upheaval. In France, out of one million textile workers, including wool, silk and cotton, 400,000 are totally unemployed, 500,000 working short time, and only 100,000 are still in full time employment.

Production is down from 40 to 60 per cent in the three years to August 1932. Wages have been reduced from 10 to 15 per cent. Women employees in the silk industry at Lyons are now receiving from 18 to 30 francs a day, and weavers in the cotton mills at Lille from 20 to 30 francs—the lower rates in each case being paid to junior workers. If employed for less than four days a week, textile workers are eligible for unemployment benefit at full rates for days "stopped". And the textile workers, on the admission of the secretary of their union, save less than other groups of workers and consequently take advantage of the "dole" to a greater extent than others.

Variations in wages are less wide in France than in most other countries. The lowest paid adult workers receive about 30 francs (5/–) a day and the highest paid—skilled workers in the iron and steel industry—from 50 to 55 francs a day on time wages, or up to 70 francs a day if on piece work.

Rents absorb about 20 per cent of wages, and food 60 per cent. In one working class district on the outskirts of Paris the rent of a typical home consisting of two rooms and kitchen (very few French working-class homes have a bathroom) was 2000 francs (about £16 10s.) for an "uncontrolled" apartment, and 800 francs (£6 13s.) for similar accommodation which has been occupied by the same tenant since the war and was therefore protected by the Rents Act, similar in its provisions to the British law.

Food for a family of four purchased by the careful French

housewife at the street markets which are a prominent feature of every French city, costs from 20 to 25 francs a day in Paris, and about 15 francs in the provinces. Shopping with two French workers' wives, I priced a few necessities.

Butter cost 1/7d. per pound, Camembert cheese 1/– per pound, bread 4d. per kilo, eggs 1d. each, coffee 1/8d. per pound, sugar 8d. per kilo, potatoes 1¼d. per pound, veal 2/4d. per pound without bones.[1]

My impression is that the French workers, in the mass, have a lower housing standard than British workers but a better and more varied dietary. Certainly the depression has caused no change in the daily menu of the average French home, and at more than one workers' restaurant I ate my lunch surrounded by workmen who were spending the equivalent of 2/– on their midday meal.

Even more significant than the sight of those workers enjoying their midday repast, however, were the conditions which I found at the one French factory to which I secured admission.

[1] These prices, as others in this chapter, are based upon the normal rate of exchange of 120 francs to the pound sterling—approximately the rate existing before Britain abandoned the Gold Standard.

CHAPTER XVII

MORE FACTS ABOUT FRANCE

THE *Société d'Outillage Mecanique et d'Usinage d'Artillerie*, or Somua Works, a subsidiary company of the famous Schneider firm, is engaged in manufacturing farm tractors, heavy road vehicles, machine tools, hydraulic presses and printing machinery in an industrial plant at St. Ouen, on the outskirts of Paris. Therefore the works may reasonably be regarded as typical of factories manufacturing specialised steel goods in France.

The plant was, in September 1932, working to 68 per cent of capacity, compared with 13 per cent for similar plants in the United States and 20 per cent in Germany. Further, the directors admitted that business prospects were "good," and that forward orders were well up to the average. Partly this is due to big orders recently received for 18-ton road lorries. The boom in road transport came late in France, but now it has come overnight, and the increasing tonnage of goods carried by road is a fact which offsets part of the decline in the number of goods trucks loaded each day given in the previous chapter.

Official figures published by the Ministry of Labour in Paris show that over the whole metallurgical industry, production in December 1931, measured by comparison of the number of workers employed and number of hours worked, was 23·9 per cent below the corresponding month in 1930.

Judged by this figure, the Somua factory had fared rather better than the average. The number of workers employed in August 1932, was something less than 12 per cent below the 1928 figure of 2,600 employees. The hours of work of the remainder had been reduced from 52 hours in 1928 to 44 hours in 1932.

Wages had not been reduced at all; skilled workers earning on an average 6·50 francs (1/1d.) per hour, giving on a 44-hour week an average wage of 47/8d. per week, or twice the earnings of the average German worker employed in the same industry. The hours of work on a complete day

(short-time stoppages are irregular in their sequence) are 7.30 to 11.30 a.m. and 1 p.m. to 6 p.m.

I was informed that wage reductions might be considered by the management if the cost of living could be reduced to a proportionate extent, but, said my informant, "in the absence of a definite drop in the cost of living it is the policy of this firm to discharge men rather than reduce wages."

The same reluctance to reduce the standard of living is noticeable in other French industries. Whether it would remain a workable policy if a further decline in production occurred is a highly debatable point.

Walking through the workshops of that French plant provided a strange glimpse of "normal" conditions in a feverish world. Here was no sign of slump. Every department but one was, or seemed to be, working at full pressure. Every working-place was filled. Every machine—even the gigantic presses and lathes—was working to fulfil the orders which flowed into the letter-box of the little office building by the main gates of the factory.

Most of the machinery used has been so standardised that the workers were building lorries and printing presses on a "piece work" basis. The same number of minutes were allowed for each operation. It was mass production without the "split second" psychology of the Ford works and the Baťa factories. The mentality of the French worker is against too wide an adoption of American methods.

Walking through department after department, resounding with the noise of machinery which the worst slump in history has not silenced, I noticed once again how science and invention tend to maintain the level of production with an ever-dwindling band of human workers. In the gear-cutting department, for example, where stood machines which cut out a complete gear wheel automatically without any attention, and rang a bell when the task was finished, each engineer was tending five machines. Ten men were ample to look after that whole department.

The same saving of labour was to be seen in the great shed

where stood the hydraulic presses, the largest capable of exerting a " squeeze " of 12,000 tons. The main parts of these powerful machines are fashioned on a giant lathe imported from the United States. The machine would have been too big to get into any room smaller than a ballroom. It was the largest in France. Yet apart from lifting the slabs of roughly shapen steel on to its " bed " by overhead cranes, a single engineer only was needed to control it.

To one who had seen the stricken industries in other countries, that tour of the Somua Works was a revelation. I remembered that even in France industrial production is down by 30 per cent, and enquired how that firm had managed to achieve the miracle of " business as usual ".

" We are busy because France has never lost confidence in France," was the answer. " Our export orders are heavily down. Formerly we did a good deal of business with South America, Egypt, the Baltic countries and Roumania. That trade has gone. None of our customers have the money to pay for what they need."

One story will illustrate why Europe's export trade was still dwindling in July, 1932. A few days before my visit, two orders had been received for large consignments of machinery from Bulgaria and Greece. Neither customer had any hope of securing the necessary French currency to pay in cash, so the Bulgarian offered Macedonian tobacco of equivalent value, and the Greek a shipload of currants, shipped to Marseilles. Both orders had been politely refused, for no engineering firm has the necessary organisation to begin that sort of bartering.

Another piece of financial history, typical of Europe to-day, concerned a customer who had become famous in the Somua Works as " the honest Spaniard ".

This man, an old customer of the firm and a man of integrity, had taken delivery of 100,000 francs worth of machinery shortly before the Spanish Government imposed an embargo upon the export of Spanish currency exceeding 2,000 pesetas a month in amount.

The Spaniard had never kept a creditor waiting for a single peseta in his life, and he applied to his government for permission to export sufficient money to pay the debt. His application was refused, nor did further attempts meet with a better fate. In despair at what he considered a blot upon his financial record, the Spaniard wrote to the French firm, promising to liquidate the debt as speedily as possible. That was six months ago. Since then, once every month, he travels from Spain to Perpignan, across the French border, carrying in his pocket the 2000 pesetas which is the maximum sum which can be exported. In France he purchases a banker's draft in French francs and posts it to Paris, thus paying another " instalment " of his debt.

Lost trade with Eastern Europe and South America has not been replaced by Russian orders, as has happened, to a certain extent, in other countries. At the Somua Works I was informed that some orders had been executed for Soviet Russia, but the French insistence upon cash on delivery had not encouraged further dealings. " We've handled a few million francs of their money," I was informed, " but the Russians don't like paying cash, and we don't like taking chances ! "

So further opportunities of trade with Russia were lost, as export orders to other lands were lost for other reasons. Yet the number of workers employed at the Somua plants has fallen by only 300 men since 1928 !

The story which I have briefly told of that one factory is the story of the majority of industrial establishments in France, with the exception of a few great industries largely manufacturing for export.

In an effort to maintain that happy state of affairs, successive French governments have reared a whole structure of import restrictions, quotas and tariffs. Few will blame any government for adopting a policy of looking after its own people, even though that policy has at times been applied in a manner distinctly disconcerting to those who have for many years conducted a considerable amount of trade with France.

Among the critics of French fiscal policy are some of her own business men, who assured me that the restrictions of imports, quotas and such-like measures adopted in France " had not paid " and provoked retaliation which had gravely injured French trade in other directions. The only exception which I heard made to this opinion concerned the question of the coal quota, which has permitted heavy stocks of coal accumulated at the pits to be used and had, or so it was asserted, prevented the French mines from closing completely as a result of foreign competition. Whether those Frenchmen who criticise restraints upon import trade are right or wrong I do not know. Here I only record that the enthusiasm of the French manufacturers whom I met for tariffs and other restrictive measures was not as pronounced as it had been on my former visits to that country. It may be that the raising of tariff walls round Britain, for so long providing a great free market on the very doorstep of France, had caused a change of sentiment.

Those new tariffs adopted by the British House of Commons this year have hit the formerly " untouchable " French peasant. For ten years up to 1931, the income of the peasants remained steady. Each season they placed ten or twenty per cent of their earnings in some safe hiding-place and blessed the fact that of all the nationalities which might have been their lot, they were citizens of France. Other nations suffered ups and downs, but France, the leader of Europe, receiving her annual tribute of gold from the defeated, proceeded serenely along the path that led to greater glories.

Then, in the spring of 1932, something went wrong with that dream. The prices of wheat and wine suffered a severe decline. Vegetables formerly shipped to Britain were taxed at the British ports and there was no profit to be made by their sale. Street markets in Paris were swamped with foodstuffs which in other days had been displayed outside the greengrocers' shops in Hammersmith, Balham and Birmingham.

A cask of French wine containing twenty gallons, which

was sold for 175 francs in 1931, realised only 85 francs a year later. Such a fall within a single year was unprecedented. Had the wine-growers and their workers not been frugal, it would have meant widespread distress. Small wonder that in the wine districts I found people praying for the repeal of the Eighteenth Amendment in the United States. For then they may gain on the American swings what they are losing on the European roundabouts. French wines may be as popular as ever in France, but that is one industry in which exports provide the profits.

Before leaving France, I talked over a luncheon-table with two men who are as closely in touch with French public opinion as any men in that country. One is the editor of a famous Parisian daily newspaper, the other the dominant figure in a great federation of trade unions.

To them I put two questions to which I was, after days spent in French cities, still seeking answers.

"What," I asked them, "are the proposals suggested for dealing with the trade crisis, if it becomes worse during the winter ahead?"

"A forty-hour week, which would absorb most of the present unemployed," answered the trade unionist. "And it is believed that the government is favourable to the suggestion. Failing that reform, however, there is the alternative method of approach—a big programme of public works—bridges, roads, new port facilities, electrification (10,000 communes in France have no electric supply at present) and additional schools. There is money in plenty waiting to be used. We can banish unemployment overnight by using it."

In a word, France has reached the degree of "crisis" which Britain knew before the real crisis developed, and is proposing to remedy matters by similar measures to those adopted in this country before the slowing wheels of industry swamped attempts to create work by relief methods.

"French public opinion is not very interested in the depression," added the trade unionist. "Our people are

quite content to leave it to the government. Maybe if unemployment here stood at the British figure——"

Which brought me to my second question:

"What is the burning question of the day for France?"

"Disarmament—and Germany's threat to re-arm," answered both my companions. "We recognise, and our people recognise that if France does not reduce armaments, Germany will increase hers. And that might mean a new armaments race which would be fatal to the peace of mind of Europe. It must be stopped at all costs."

Both these men were radicals, but both voiced a fear which has sent a shudder through the heart of France. The slump has not hit France, at least not hard, but Germany has—twice! And French memories are long.

I learnt something of the intense interest which the working people of Paris are taking in this question when I made my way to the Bullier Hall one evening, intending to seek admission to a Disarmament Meeting which was to be addressed by Maxim Gorki, Henri Barbusse, Professor Dana of the United States and others. The meeting was organised by the French Communist Party.

The hall, I was told, holds about 7000 people, and I arrived two hours before the doors opened. Already a crowd of some 15,000 workers blocked all approach to the entrances, while a strong force of police was in evidence, standing almost shoulder to shoulder round the crowd.

It was obviously impossible to get inside, so I set off to explore some of the streets converging on the square where stands the hall. Every road was filled with police reinforcements, mounted and on foot. They sat in lorries, they occupied the pavements and courtyards. At a rough estimate there must have been at least 6000 men of the "hordes of Chiappe" (M. Chiappe is the Prefect of Paris), as the Parisian Communist daily calls them.

And they had been mobilised because a handful of theoretical Communists had been announced to speak on disarmament, the question which stirs the heart of France as

the trade depression has not stirred it, and probably never will.

For whereas the average Frenchman is supremely confident concerning the ability of France to weather the trade storm without any serious interference to the normal life of the nation, the course of events in Berlin has caused many Frenchmen to wonder whether history may not be repeating itself—whether, in fact, they are not living in the year 1909 all over again, with 1914 round the corner.

Such fears will be regarded by many as fantastic. But not by Frenchmen. It was a carpenter, employed on building a huge tenement block on the edge of the Bois de Boulogne, who said to me, after brushing aside my questions concerning what would happen if things got worse and building stopped: "If we only had the depression to worry about and nothing else it would be easy."

That remark reflects prevailing opinion in France. I left that country without having met a single man, employer or official, worker or workless, who was seriously perturbed by the crisis. Which is a remarkable fact. Perhaps God is a Frenchman after all.

CHAPTER XVIII

BELGIUM TIGHTENS HER BELT

LITTLE Belgium is fighting her second war within twenty years. In this new conflict her weapons are tariffs, quota regulations and reduced labour costs—and those weapons, although wielded with spirit, are proving as powerless to save her people from the enemy as were the guns of the Belgian Army when they sought to stem that other invader in 1914.

This new war is waged against the industrial depression which is crippling the industries of Belgium and impoverishing her people; which has doubled the number of unemployed workers, and nearly halved her exports, during the past twelve months.

Until December 1931, Belgium could say with truth that she was better off than many other nations. Some, indeed, hoped that her well-organised industries, and her thrifty, hard-working population, would, by virtue of low production costs, escape the worst effects of the economic blizzard which had prostrated the British "heavy industries", and was causing a rapid degeneration in conditions in other European countries.

1932 has seen that hope fade. The depression has become too deep, too widespread, for any exporting nation to hope to escape. It may truly be said—indeed, every chapter of this book bears witness—that in the war for what is left of the still contracting volume of international trade, every nation is in the firing line.

By June 1932, in many of Belgium's leading industries production was down to thirty per cent of the normal figure. Coal exports have been cut in half. Engineering—hard hit in every land—had lost eighty per cent of its 1929 figure. Out of a total of 62 blast furnaces, only 38 were in operation. Railway traffic showed a decrease of one-fifth on the previous year. Unemployment had doubled. Official statistics, covering the 800,000 workers embraced by the unemployment insurance schemes in operation, showed

153,000 wholly idle, and another 187,000 working short time. But these figures are not conclusive, and Belgian authorities whom I consulted estimated the true figure of totally unemployed at 300,000 for the whole country. Production of plate-glass—an important and formerly flourishing industry—is down seventy per cent. The value of all exports for the first four months of 1932, as compared with the same period of 1931, was down by one-third.

In a sentence, judged by any reliable statistical standard available, Belgium has been badly hit. Despite all the efforts of powerful and well-organised industries, despite the oft-proclaimed advantages of low labour costs, Belgium has seen 7/6d. in every pound of external trade disappear.

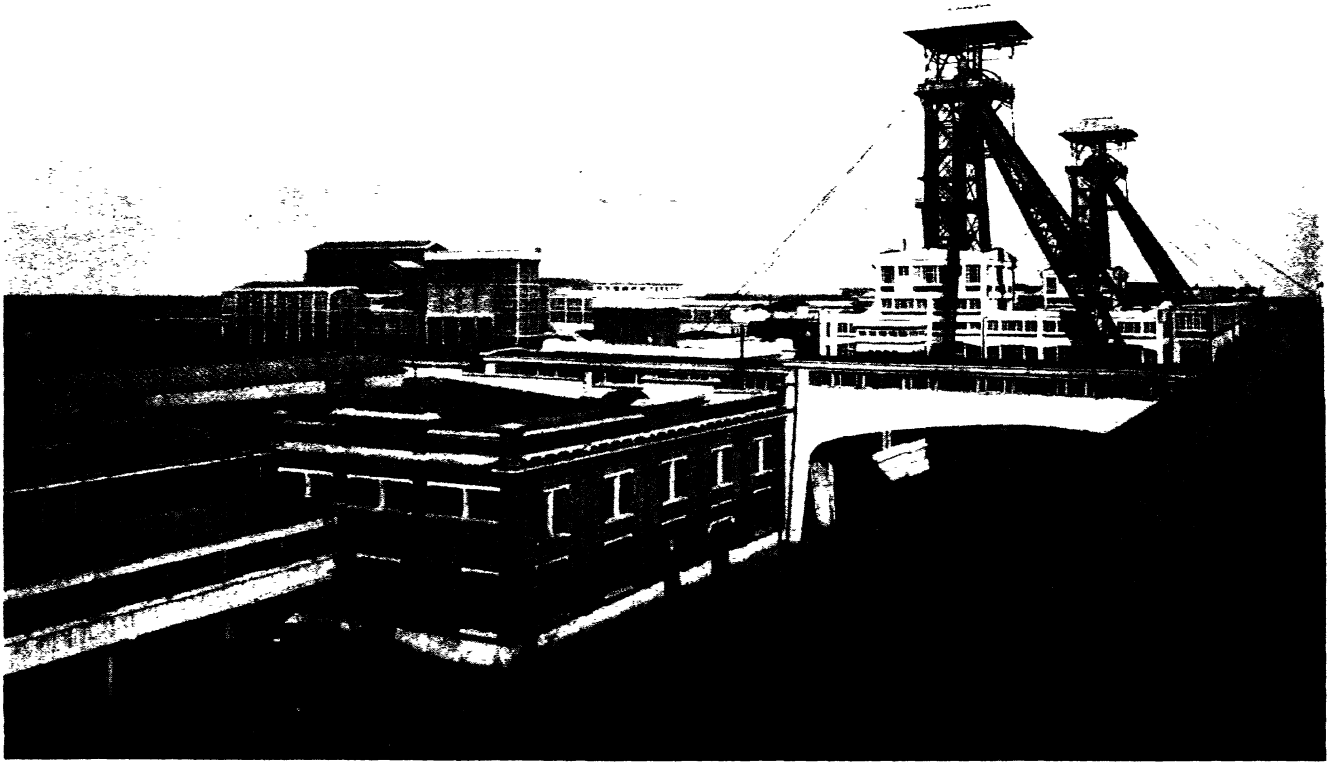
This profound shock to the prosperity of the country has come at a time when the standard of living of the Belgian people was definitely rising from the low levels of pre-war years. It follows, moreover, immediately upon the heels of 1929, which was the year of greatest prosperity which Belgian industries had enjoyed for two decades.

The fact that the Belgian Ministry of Industry, Labour and Social Welfare had conducted an enquiry into family budgets, income and expenditure of various classes of workers immediately before the oncoming slump engulfed the country and profoundly modified the conditions in Belgian industry, provides a convenient standard of comparison with the conditions which I found existing during the summer of 1932. The results of this enquiry have not yet been published, but the main conclusions revealed by this investigation have been made public, by permission of the Ministry, in an article on "*The Purchasing Power and the Consumption of Belgian Workers at Different Periods*" by Max Gottschalk, published in the *International Labour Review* for June 1932.

This enquiry showed that the average daily wages of Belgian textile workers were 70 per cent higher in 1929 than in 1891; in the building trade 60 per cent higher, in metal-working trades 52 per cent higher, in mining 38 per cent higher, and in the glass industry 8 per cent higher.

TYPICAL MINERS EMPLOYED IN THE BELGIAN PITS

Fifty per cent of all the mine-workers in Belgium are foreigners, belonging to eleven different nationalities.



A BELGIAN COAL MINE

General view of the pit-head and offices at the Andre Dumont Colliery near Genck.

By dividing the cost of the average monthly expenses of an adult male worker by the average money wage of the head of a family, the report shows that in order to secure the same quantity of commodities, constituting the essential part of his food budget, the Belgian worker would have had to work 4·89 days in 1891, and 4·15 days in 1929. Similarly, if the purchasing power of the average daily wage in 1891 be taken at 100, the average daily wage in 1929 was 117·8—an increase of 17·8 per cent in the space of thirty-eight years.

Thus, at the moment when the first effects of the industrial depression appeared in Belgium, the standard of living of the workers of that country, of which Mr. Seebohm Rowntree had said in 1910 that " with few exceptions wages are totally inadequate, even allowing for the fact that living is much cheaper there than in Germany or France and slightly cheaper than in England ", was definitely improving.

Confirmation that this was the case is afforded by a statement made by M. A. Dewinne, Editor of the Socialist paper *Le Peuple*, who wrote in 1924 that " In view of what we see around us no one can doubt that the material situation of the wage earners is as a rule better than it used to be. The workers' families are better fed and better clothed, and this improvement in the conditions of life is due chiefly to the increased incomes of these families."

At the end of 1929—again according to this Ministry Report—the income of the average Belgian industrial family was spent as follows :

Food	58.2 per cent
Clothing and laundry . .	15·4 „
Rent, furniture and household .	9·1 „
Lighting and heating . .	4·9 „
Health, toilet and hygiene .	1·3 „
Intellectual and moral needs .	3·9 „
Amusements . . .	5·4 „
Miscellaneous	1·8 „

How far has this rising standard of living been interrupted

by the depression in international trade? And how are the main industries of Belgium weathering the storm? To secure answers to these two questions I travelled from Paris to Brussels, investigated the precise conditions of two representative industries—plate-glass and coal—and spent some days with the workers of Belgium in their homes, twice crossing that country by motor-car from south to north and east to west.

Unemployment in Belgium is most pronounced in the metal industries—with 33,000 out of work—and textiles, with 37,000, or one in five of the whole industry unemployed. The fact that in five countries, Germany, Czechoslovakia, Belgium, Holland, and Britain, the textile industries are in each case near the head of the unemployment table, suggests either that the peoples of the world have ceased to buy either body or household linen, or, more feasibly, that the productive capacity of the combined textile industries of Europe is now definitely in excess of any probable demand. The china and glass industry is another of Belgium's depressed industries, with 34·4 per cent of its workers idle.[1]

By contrast, the coal-mining industry is comparatively prosperous, with only 3000 miners wholly unemployed, but in the pits short-time is widespread, and exports of coal and coal products have been halved by one year of slump conditions.

The general contraction of industrial production has been accompanied by the now familiar phenomena of declining imports and exports. For the first four months of 1932, compared with 1931, imports fell by 18 per cent and exports by 30 per cent. During the same period British imports into Belgium were down by 30 per cent, and exports to this country by 40 per cent.

This general decrease in external trade was accompanied by a shrinkage of the internal market, and aggravated, as in other countries, by the determined efforts of other nations to find in Belgium a market for goods displaced by tariffs

[1] All these figures are for the month of June 1932.

elsewhere. A case in point is the address presented to the Belgian Government by the various national trade groups in the leather industry, requesting action to be taken to limit the increasing importation of foreign made boots and shoes. This call for increasing protection, by higher tariffs, of the Belgian shoe industry, was supported by figures published in the press which showed that imports of Czechoslovakian shoes doubled in a single year, the exact figures published being 78,647 pairs admitted during the first nine months of 1930, and 157,406 pairs during the same period of 1931. While one Czechoslovakian firm was opening branches for the sales of its products in various Belgian towns, the native factories were working short time, sixty per cent of the Belgian shoe operatives were workless and the output had declined to fifty per cent of the 1929 figure.

Further examples could be given, and are presented in other chapters, of the fact that in the present state of international trade, the natural and determined efforts made in one country to maintain its workers in employment may, and usually do, mean charges of " dumping " and increased difficulties somewhere else. And as long as the available consuming power of the world remains unable to absorb the products of the world's factories, complaints of this nature—familiar enough in the days of Free Trade England—will be heard.

In order to study the effects of these conditions upon a single industry, and upon the conditions of life of the workers in that industry, I accepted the invitation of the directors of the Charbonnages André Dumont, a group of modern collieries situated in the north of Belgium, close to the Dutch frontier, to visit the pits and the industrial city which had been built by the company for the workers.

The road to Genck, where was situated the principal colliery of the group, brought back many memories of other days, for my car carried me swiftly over the long straight highway that stretches beside Louvain, down which the field-grey hosts poured on that other August, eighteen years

ago. Louvain rebuilt and bustling with activity, still bears the marks of its ordeal. Along the main street the new buildings erected to replace those destroyed in 1914 are clearly recognisable. Close by was Aerschot—another name famous in those days when from thousands of British walls we were bidden to "Remember Belgium". And so reminders of the martyrdom of a little country persisted until the shafts of the André Dumont pits, erected since 1918, came into sight and I entered a new world—the realm of King Coal.

There are 145,000 miners employed in the whole Belgian coalfields, compared with 152,000 in 1931. Only about half are Belgians, and the second half is made up of Czechs, Poles, Roumanians and Jugo-Slavs who migrated to the Belgian pits after the conclusion of peace. In the six pits forming the group which I visited, eleven different nationalities were employed. In normal times the plan worked to the advantage of all concerned. Then there was work for all—and for most Belgians more pleasant work than mining was available. But now that every industry has its own workless, and alternative work is not available for native miners displaced, the Belgian miners are demanding a preference over the foreign worker, and a certain amount of tact is obviously necessary on the part of colliery managements if bad feelings are to be averted.

One fact throws a searchlight upon the condition of the Belgian coalfields to-day. Despite the imposition of an inland quota system similar to the British method of controlling production, which has restricted production at the Genck pit from a potential 110,000 tons a month to 77,500 tons maximum—and restricted all Belgian pits in a similar degree—the stocks of unsold coal heaped around the pitheads amounted in July 1932, to 4,000,000 tons, compared with an average of only 150,000 tons in 1928.[1]

In other words, a drop in working days which, again in the case of the pit which I visited, had meant a reduction of

[1] The strike which paralysed production in the Borinage coalfield from July until September, 1932, enabled these stocks to be reduced to 2,500,000 tons.

man-days from 535,000 to 393,000 in the current year, had not sufficed to allow consumption to catch up with production.

The number of workers employed at the pit had decreased by 25 per cent since 1930—from 6000 to 4500. And those 4500, as the decline in working days indicates, are all on short time, working not more than four and a half days a week.

With wage reductions "in the air", and affecting workers from one end of Europe to the other, the miners could scarcely hope to escape. Since 1929, seven successive "cuts" in earnings have been enforced, which together mean a reduction which the directors of that colliery agreed amounted to approximately 28 per cent in earnings. Wages measured in terms of purchasing power have not suffered so drastic a contraction, however, for during the same period the cost of living, as measured by the official index figure, has come down by 20 per cent, while the cost of food in the shops controlled and operated by the André Dumont Company for the benefit of their workers, is now about 3 per cent below the 1914 figure.

These wage reductions were made automatically in accordance with a national convention of the mining industry providing for reductions as the cost of living fell. Thanks to the publication of figures covering the Belgian mining industry in 1891 and 1929 in the investigation referred to above, it is possible to compare the existing wage standards, after the 28 per cent cut, with those existing for the whole coalfield before the slump.

The average daily wage of all underground grades employed at the André Dumont group of pits, as shown by audited figures, is now 41·50 francs, or 5/3d. in English currency based upon approximate purchasing power. The same figure for surface workers is 30 francs, or 3/9d. The combined average figure, covering the earnings of all workers of whatever grade, is 40 francs or about 5/–.

Based upon these figures covering all grades of workers at the André Dumont pits, and making the necessary allowance for the devaluation of the franc to express the figures in gold

francs, the average daily wage of Belgian miners has varied between 4·53 francs in 1891, 6·28 francs in 1929 and about 5·25 francs in 1932. That latest figure is, however, subject to further qualification, for whereas in 1929 most Belgian miners were working full time—thirteen shifts a fortnight—now the maximum number of shifts worked is eleven, and the majority of the miners are employed for only four days in each week. Upon this basis, the average earnings to-day throughout the Belgian coalfield are, expressed in English money, only about 20/–, rather more for underground workers, and less for those employed on the surface. From this wage, certain deductions are made at source for social insurance, sickness and pensions funds.

Of all the workers employed at the Genck pit, 2000 were living some distance away, and the bicycles on which they travelled to work were housed in a large room in which every man had his allotted rack—and padlock !

The balance of the workers, including the majority of those who had over eight years' service with the company, were occupying houses erected by the company in the garden city adjoining the pits. The rents charged for these " company houses " were 2/6 per room per month, but workers who had been in occupation since 1921 paid 7½d. per month only for the two and three-room homes. A further provision entitled the worker who in good times worked thirteen shifts in a fortnight, to pay only five francs (7½d.) rent for the following month as a special concession.

Rents for those miners living in " company houses " were therefore very low. And the rents paid by the remainder were also much lower than the sum that would be charged for similar accommodation in this country, as is shown by the fact that the average percentage of earnings expended in rent over the whole of Belgian industry is slightly less than ten per cent, or 2/– in the pound, of wages.

Food prices are at present approximately on the same level as in Britain. Transport and clothing are cheaper. Having made the necessary adjustments in the value of money-

wages in the light of the cost of living, according to official figures I have computed that the 5/– a day wage of the Belgian miner is worth in purchasing power approximately 15 per cent more than the same amount in Britain.

The final figure of earnings for a Belgian miner working four days a week, therefore, expressed in purchasing power in British money, becomes 24/–.

Having inspected the surface workings of the pit, and watched 10-ton trucks being loaded in the space of three minutes, each by a single boy operating the chute down which the coal, already washed and graded, flowed into the truck below, I joined the underground workers—two thousand of them, forming the afternoon shift.

Every type of humanity was represented in that throng. Brutalised faces (or faces which seemed brutalised) stood shoulder to shoulder with small boys with dreamy eyes. Broad-shouldered giants sat on their "mess cans" beside weak-looking, undersized and stunted comrades. Surveying them, and under their questioning survey, my mind conjured up a vision of "Kameradschaft" in real life. I was not mistaken. Later I learnt that there was once an explosion in that very pit, and that then those miners of eleven nations forgot everything except that they were miners, and other miners were trapped below, and went down into the inferno to the rescue!

Most of them were dressed in cotton shirts and blue overalls, their working clothes. Others wore only bathing suits and cotton trousers, for it was hot on the surface, and hotter still at the seams, half a mile within the bowels of the earth.

Some were wearing stout leather boots—the Belgian workers these. Others wore only canvas shoes which looked unfit for the work they were called upon to do. They were mostly the miners hailing from Eastern Europe. The differences in dress expressed, not incomes, but the customs of the countries from which they had originally come to work in this corner of Belgium.

The last load of coal came up, a bell rang. Overseers marshalled the first sixty men with their foreman. Sixty to each cage, fifteen to a story. The cages came up full and as the morning shift emerged on one side, wet with sweat of the world's last "slave labour" and filthy, they filled from the other side. Then down again—18 metres a second.

For a time I watched those begrimed men emerge like visitors from a nether world. A few looked tired after their eight hours beneath the ground. But the younger boys emerged from the cages laughing and skylarking. The procession of men that marched off to the pit-head baths formed a unit in that greater stream of miners, the world over, who are always coming up or going down—the procession of men to whom the world owes a greater debt than to any other body of industrial workers.

Mingling with the waiting crowd, sitting silent by their picks and mess-tins, with their lamps lending to the scene something of the quality of a Robot play, I realised one further fact about a miner's life. The Belgian miners work eight hours a day—that shift had gone down at 6 a.m. and the first cage filled with humanity had ascended again at 2 p.m. But only the first. Before the last of the men reached the surface it would be 2.30, despite the alacrity with which those cages were being loaded and unloaded by the overseers. A similar wait before descending, and the 8-hour day becomes 9 hours, without reckoning the time spent in travelling from the home to the pit.

The last load having descended, I followed the morning shift to the lofty building which contained the baths and clothing lockers. There I witnessed the metamorphosis which changed fifteen hundred toilers from fearsome denizens of a nether world to clean, well-clothed citizens. Anyone who doubts the change which can be brought about by water —just water—within a few minutes should visit the pit-head baths at a colliery.

In those few minutes, too, I saw yet another reminder of the war, one that could not have been seen anywhere else.

Of those fifteen hundred men, at least one in five bore upon their bodies the scars and gashes of war wounds.

A burly Jugo-Slav had a hole in his back—relic of an Austrian shell. Near by, was a Pole whose chest carried the marks of a bayonet wound inflicted by a Russian. Further down the row was a Czech who had been wounded in four places while fighting with the Czech legion. A fourth man had scars on his leg inflicted by a Serbian bullet when he was wearing the Austrian uniform. Now, veterans of half a dozen armies, they were all working together in man's unceasing struggle—the struggle for food, for comfort, for the means of life. Surely there is the theme for a novel in that scene. For a moment my mind wondered whether or not the burly Jugo-Slav standing beside me had fired the bullet which had partially cripped the Austrian? Who knows?

Having handed in their safety lamps (and having each received in exchange the little "ticket" bearing a number which serves to identify each miner and also shows that every man who ascends comes safely to the surface again at the end of his shift) and changed their clothes, the morning shift went out into the sunshine, bound for their homes and dinner. And, by invitation, I went with a group of men who occupied homes in the garden city built by the company close by.

This industrial settlement comprised 100 houses for engineers and employees, some 850 houses for workers, 5 estaminets, and 2 co-operative stores. The total population is made up of 4500 inhabitants, including 2000 Belgians, 800 Poles, 500 Czechoslovaks and 1175 persons of other nationalities. It formed a Europe in miniature, a "melting pot" in which the only common bond was the comradeship of the pits. Judging by what I heard and saw during an afternoon spent in those homes, that settlement has managed to find a community of interest sometimes absent from deliberations at Geneva. But these men were miners, not diplomats.

I talked first with the wife of a Czech miner, who consented to answer my questions while her man ate his well-earned dinner.

There were three persons in that family, and the wages brought home by the man, an underground worker, averaged 920 francs (approximately £5 15s.) for 20 shifts per month.

For their home, containing three rooms, and supplied with electric light and water, they paid 85 francs a month. Food for three persons cost 680 francs a month, leaving 155 francs, or about 18/- per month, for clothing, amusements and all other expenses.

This household budget may be taken as rather more favoured than the average. The house being owned by the company, the rent was rather below the general rate, while the family received a free coal allowance all the year through. Amusement such as the neighbourhood provided, was also cheap—two seats at the local cinema costing together only 6d. or 8d. Other diversions favoured by the miners included dog-racing, pigeon "fancying", football, bowls and—strange relic of other days—archery, which was one of the most popular recreations of all.

I was permitted to take an inventory of the larder. It contained meat, vegetables, bread, butter, sugar, coffee, and the usual incidentals. The wife stated that the family still had either meat (beef or veal) or fish once a day, and confirmed the fact that at the company co-operative store, where she shopped, foodstuffs were sold at prices based upon cost plus 5 per cent.

At these stores the managers receive a commission of 4 per cent on turnover. There are no other expenses, and the fact that the shops were patronised by all the families with whom I talked suggested that the company officials were justified in their assertion that the presence of these stores had helped to keep down the cost of living for the miners. This was also proved by figures available, which showed the food index number for that district to be about 15 per cent below the corresponding figure for Belgium as a whole.

The next home I visited was occupied by a Belgian Catholic family, and its most prominent feature was the kitchen mantelpiece which had been transformed into a family Altar, with crucifix, candles and a statue of the Christus.

The family budget in this home was approximately the same as that already set out. The miner earned 980 francs for 20 days' work a month, but in this case, because of longer service with the company, the rent of four rooms was only 50 francs a month (about 6/3d.).

The man had been an underground worker in the pits since the age of twelve. He was now thirty-one. A few years ago he had decided to make a change and had secured work as a locomotive engineer, but, in his own words, "could not get accustomed to working on the surface and had returned to the mines". I first spoke to him as he emerged from the cage, filthy and wearing ragged clothes. In his own home, he was well-dressed and as cheerful as any worker I met on my journey. His wife also expressed the opinion that they were happier near the mines than they had been when her husband was working in a city.

My next call was at the "bachelor hotel" maintained by the company for single workers. Here the younger men paid 17 francs (about 2/3d.) a day for room and board. The bedrooms measured about 12 feet by 8 feet, and contained bed, washstand, two chairs, and hanging cupboard. The "hotel" housed sixty men, and four others brought the total accommodation up to about 300 beds. The general standard, both of cleanliness and food, compared favourably with workers' hostels known to me in Britain, Germany and other countries, while it was definitely higher than the accommodation to which the Poles and Jugo-Slavs had become accustomed in their own countries before migrating to the Belgian pits.

In this connection, however, it is necessary to emphasise that at the André Dumont pits, both the working and living conditions were better than the average for Belgian pits generally, a fact which may be accounted for by the

fact that the financial position of many of the older pits is precarious, while several pits in the Borinage—scene of the 1932 coal strike—have been closed down entirely owing to the depression.

There is a horticultural club for the miners, which is well supported and the influence of which was to be seen in the trim, well-kept gardens of many of the houses. Annual competitions are held, and prizes awarded for the best kept home and the best garden, and there is keen rivalry to win these awards.

The charge is still sometimes made that the working peoples do not appreciate good housing conditions. I would like, therefore, to record the opinion given me by the manager of this international " industrial city ", as we sat together in an estaminet after my visits to the workers' homes was over.

" Of these families, coming from eleven countries, many of whom have never had the opportunity to live in clean surroundings before, eighty-five out of every hundred have proved excellent tenants," he said. " Of the remaining fifteen, ten take a hint and become satisfactory tenants, and only 5 per cent refuse to respond to their environment." The figures are interesting, because, unless I am mistaken, they tally exactly with figures published a few years ago respecting the new working-class estates in Glasgow, based upon the reports of the housing officials of the Council of that city.

It is an unhappy fact, inseparable from the dangerous nature of the miners' work, that close to every pithead you will find a hospital. The André Dumont pit was no exception, and my last visit was to the clinic maintained by the company. The resident doctor is not very busy now—the slump and institution of short-time working has lightened the lot of many colliery doctors. But some twenty casualties a day are still passing through those doors into the wards within.

At Genck, as elsewhere, all that medical science can do is done. The clinic included modern X-ray equipment,

operating room, and a perfectly equipped dental surgery. Here not only are casualties attended to, but a complete medical service is provided free of cost to the miners and members of their families.

The social services in Belgium have been greatly extended during recent years. From January 1, 1932, the system of paying family allowances has been enforced in all industrial undertakings throughout the country. Housing conditions were being rapidly improved before the onslaught of the industrial crisis. In 1931 there existed 287 societies interested in the provision of cheap workers' houses, having a total capital of 285 million francs, and at the beginning of that year 49,556 dwellings had been erected.

According to a report on "Economic Conditions in Belgium in 1931"[1] recently issued "the standard of living of the working class has on the whole greatly improved as compared with conditions prevailing prior to the war. Higher wages, better housing, more education, increased social welfare legislation have—in spite of the setback caused by the four years' war period—combined to ameliorate the lot of a population whose thrift and industry have always been proverbial.

"Fresh meat, which seldom graced the working-class table more than once or twice a week, is now an item of the daily menu. Sugar, formerly a luxury, is now found in every home, and the *per capita* consumption has more than doubled.

"Clogs, once the labourers' only footwear, have now been almost entirely replaced by leather boots and shoes. The change extends to other articles of clothing and the working class to-day dresses as nearly as possible according to middle-class standards."

Those words were written before the oncoming slump had reached the frontiers of Belgium. Since 1931 that country has been hit—and hit hard, and it is to be feared that wage reductions and swiftly-growing unemployment have been accompanied by reduced purchasing power, and all that that

[1] H.M. Stationery Office, 3/6.

phrase means when translated into terms of the individual family budget of the working-class household.

But for the strong working-class organisations developed during more prosperous times, the present standard of the Belgian workers would, it is safe to say, be lower than it is. The trade unions are well-organised and of the 820,000 workers included in the unemployment insurance system, nearly half are members of unions.

Perhaps the most significant evidence of the severity of the depression, however, is to be found in the fact that employers' organisations and trade unions alike have watched dreams of betterment, often just within their grasp, disappear before the relentless arithmetic of those export figures published every month—and every month showing fresh declines in production and in exports. With 300,000 workless, and the total exports down in value by 3,514,866,000 francs for the first four months of 1932 compared with 1931—a decline of 30 per cent—there can no longer be any doubt that Belgium is fighting for her economic life in the universal war in which there are no " neutrals ", and in which every workshop is a trench and every factory is in the firing line.

To secure further evidence of how Belgium is faring in the struggle for economic survival, I left the Flemish coalfield and travelled to Auvelais, near Namur, where are situated two of the most important units of one of Belgium's formerly flourishing industries—the plate-glass plants of St. Roch. The Belgian coalfield produces mainly for the internal market, apart from some exports to France, and has reached its present state of depression through contraction of the internal market. Plate-glass, on the other hand, was formerly one of Belgium's main exports. At Auvelais I hoped to discover what those rapidly declining export figures meant to the individual factory and the individual worker.

CHAPTER XIX

PORTRAIT OF A STRICKEN INDUSTRY

BRITAIN'S newly erected tariff walls have robbed the Belgian plate-glass industry of the benefits which it might otherwise have derived from the misguided activities of what may be described as its natural, if unacknowledged allies—the " smash and grab " raiders. There is some evidence that, until the imposition of tariffs, the increasing frequency of these crimes may have been reflected in the orders received by the Belgian manufacturers from this country. Exports of polished plate glass decreased to every country during 1931 except to Britain, which increased its purchases from 5300 tons for the first nine months of 1930, to 5800 tons for the same period of 1931.

Then came the tariff walls, The effects of that change in Britain's fiscal policy, and of higher tariff walls in the United States and elsewhere, I saw when standing in the power-house of the Glaceries St. Roch at Auvelais.

The power for this plate-glass factory is supplied by Swedish turbines, and among the useful " gadgets " included in the power equipment is a series of charts, connected electrically with the grinding and polishing machines in the main factory, by which the engineers can see at a glance if all the machines are working satisfactorily. When I entered the power-house, seven out of fourteen charts were idle, like the machines the movements of which they should have been recording. And the balance were working only four days a week ! For the plate-glass factories at Auvelais, in common with other Belgian plate-glass plants which were until 1930 among the most flourishing of that country's industries, are to-day producing only 30 per cent of their potential output. And they cannot find markets even for that reduced quantity. At Auvelais the stock of glass normally represents six weeks' production. To-day a quantity representing the entire production of the last six months remains unsold—and if trade does not improve more workers will have to be discharged, and a three-day week introduced.

I was informed by the *Comité Central Industriel de Belgique* that I was the first visitor, apart from the Crown Prince of Belgium, ever to be admitted to the plate-glass works. It may be so, for the glass manufacturers of Europe guard their trade secrets more jealously than any other producers, and I had found in Czechoslovakia, another great glass-producing country, that while all other doors were opened to me, the doors of the glass plants remained obstinately shut and bolted.

It was worth the diplomatic negotiations which had preceded my visit to see the birth of what would become a shop-window in Bond Street or Fifth Avenue, or maybe a mirror in some luxury hotel. For the making of plate-glass is decidedly to be numbered among the picturesque industries of an industrial age.

The glass, composed of Belgian white sand, charcoal, anthracite, soda carbonate, soda sulphite and a little broken glass, is first placed in giant pots—sufficient to make 180 gallons of molten glass per pot.

These are then placed in the furnaces, where they remain for sixteen hours at a temperature of 1600 degrees Centigrade. At the end of that time a crane to which is attached a pair of pincers similar to the "grab" used by the salvors of the *Egypt's* gold, lifts the red-hot container with its liquid contents and carries it to the rolling plant.

That department resembled a scene from Dante's Inferno, with a touch of tropical Africa added. On each side of the "table" on which the glass was rolled stood men, some stripped to the waist and all wearing smoked glasses and looking like demons against the red light of the pots which illuminated the scene.

A shout from somewhere high up above our heads, and the container was slowly overturned. From it poured 800 litres of liquid glass, iridescent with a deep orange glow. I could use many similes to describe that flow of liquid glass. It was like boiling syrup. But most of all, it reminded me of celestial cod-liver oil. The brilliance of its yellow flaming heart hurt the eyes.

HOLLAND'S TULIP HARVEST
Dutch girls packing flowers at Rijnsburg for export to Britain.

ANOTHER DUTCH PRODUCT AFFECTED BY THE DEPRESSION

A corner of the cheese market at Alkmaar.

At the moment when the stream fell upon the table, the roller alongside, weighing ten tons, came into motion, and slowly the liquid mass was rolled into the beginnings of a sheet of glass, 4½ metres wide and 9 metres long.

The actual rolling operation occupied less than one minute. The whole operation, including cooling the glass and preparing it for grinding and polishing, took two hours. Every six minutes of the working day a piece of glass large enough for the largest shop-window in Europe is made. A dozen men, filling and carrying those white-hot containers back and forth, and rolling the glass, can produce eighty huge sheets of glass in a working day. Unhappily, although the Belgian plate-glass is equal to any in the world, there are not enough customers to buy all the glass produced if each separate plant turns out eighty sheets a day. The slump again !

After cooling, the glass is placed in its rough state upon a bed of plaster for grinding and polishing. The "bed" is in reality a moving platform on the slow motion principle, which is adjusted to pass the glass under the ever-moving grinding and polishing machines at exactly the correct speed to bring it out at the other end as the finished article.

Each piece of glass on its journey passes under no fewer than sixty of these machines, and each machine does its share of the grinding and polishing necessary untouched by human hands. Those machines may best be described as being like giant polishing mops. Upon reaching the end of the moving platform, the finished product is lifted by suction plates attached to overhead cranes, and carried away to the stock rooms.

Every foot of plate-glass that passes under those polishing pads is made for export. Here, therefore, is an industry which affords a convenient "yard stick" by which the effects of the slump upon Belgian industry can be measured.

The Glaceries St. Roch consists of three separate plants. Of these one is completely stopped, and 700 workers have been discharged. The decline in the number of workers

employed at the two remaining plants is told in the following figures—the comparison being made with 1928, which was the best of the post-war years in the Belgian plate-glass trade :

Main Plant	1928—	1300 workers
	1932—	700 workers
2nd Plant	1928—	1200 workers
	1932—	600 workers

Production is down 70 per cent in the past two years, the present output at the two plants being 600,000 square metres, compared with an output of 2,000,000 square metres in normal times. And, as I have indicated, even with production on this reduced scale, stocks are piling up.

The 1300 workers still employed are, therefore, working four days a week only, with the exception of the furnace workers, who still tend the fires daily. But out of seven furnaces in the main plant, only three are now in production.

Normally the best customer of these works is the British Empire, for Britain heads the list of buyers, and both Canada and India are important customers. Large quantities of polished plate-glass were also sold to Italy and South America. The importance of the British market to the Belgian plate-glass industry is illustrated by the fact that upon this country leaving the gold standard in 1931, export prices were " cut " to correspond with the decreased exchange value of sterling, a reduction of approximately 20 per cent. Despite this fall in prices, exports are down in the last year by more than 50 per cent.

So far as the glass workers are concerned, that decline in orders has meant unemployment for nearly 2000 men in this one group, and wage reductions for the 1300 still remaining in employment which average 18 per cent. This decline, however, approximates to the recent fall in the cost of living, which has reduced Belgian prices for essential commodities to about the 1914 figure. There is little scope for further drastic wage " cuts ". Nor would they remedy the desperate

situation revealed above, which has been precipitated not by competitive costs, but by tariffs aiming at a reduction, or even the exclusion of Belgian plate-glass from markets in which it has formerly enjoyed an assured predominance.

The present earnings of the Auvelais workers average 200 francs (25/–) per week, slightly increased, in the case of married workers, by the system of family allowances paid from the central fund created by contributions from workers and employers.

Rents of houses containing from 2 to 5 rooms average from 10 to 14 francs a week.

The glass workers, in common with other Belgian workers, did not eat meat every day in pre-war years. They are now accustomed to a better standard of life than formerly, and the wage mentioned is, despite recent cuts, still higher in purchasing power than the 1914 rates—assuming a 6-day week. Present earnings are, however, definitely on a " crisis " basis, owing to the prevalence of short-time in the industry. For, unlike the boot and other industries, no protective tariff can help the glass industry. For recovery it must await an improvement in world conditions. Meanwhile those 70 per cent of the Auvelais glass workers who are idle must live on the unemployment fund administered by their trade union and subsidised out of State resources.

I went with some of those unemployed men to draw their benefit. The unmarried men received 72 francs (9/–) a week, and the amount received by a married man with a wife and two children was 108 francs (13/6), sums which give the frugal tendencies of their wives full scope. The Belgian unemployed are, however, more fortunate than some of Europe's workless up to the present in one respect. Heavy unemployment is a new feature in Belgian industrial life. In May 1931, the number of wholly unemployed, according to official statistics, was still only 56,000, or 7·9 per cent of the registered workers. For this reason there was not, at the time of my visit to that country, any time-limit for the payment of benefits. Hints were already heard, however, that some time

limit would have to be imposed if the present scale of unemployment persisted. Should that happen, and the possibility is evidence of the fact that the condition of Europe's workers must rapidly and progressively deteriorate if an improvement in industrial trade conditions is delayed, then the standard of the Belgian workless will further decline, for even the present scale is based upon no more than 50 per cent of the average wages paid, and upon that scale the problem of living assumes new and more terrifying forms.

A further complication in the case of the glass workers with whom I talked lies in the fact that many of them had bought their homes through building societies during better times, and had repaid only part of the mortgage when the oncoming slump swept away half their income. The average cost of these houses, containing four rooms, but without a bathroom or inside water, was £125. A Rent Act protects the worker-tenant from arbitrary dispossession of his home, in hard times, but there is no law which defends the owner-occupier who drops behind with the payment of his mortgage instalments against the effects of diminished income. And knowledge of Belgian habits extending back for many years, does not suggest that the individual Belgian worker is, or indeed has the opportunity of being, as thrifty as are the French. The absence of the proverbial "nest egg" in most working-class homes will greatly intensify the reverberations of the crisis upon Belgian social conditions unless a speedy improvement in conditions takes place.

I walked back through the workshops. The same men were working in the same tropical temperature of red-hot tubs. Every six minutes another sheet of plate-glass was born through the activities of that one "squad" among many. The same pieces of molten glass fell around the "table" on which the glass was rolled into sheets, to be brushed aside with iron rakes.

From somewhere outside, a siren sounded. The day's work was finished. And the week's work. For the next two days the plant would stand idle, not because no one

wants plate-glass or because there are no more cracked shop-windows to be repaired. But because the world has not the money to buy as much glass as formerly. And because every nation has embarked upon the impossible experiment of trying to sell without buying in return.

As I watched the last sheet rolled that day passing to the grinding machine, I asked the Works Manager when it was likely to be sold.

" It's a good thing that glass will keep," he answered. " If that sheet leaves these works by the middle of 1933 we shall be lucky. Glass-making is not what it was."

He was right. Most emphatically glass-making is not the industry it was, in Belgium or elsewhere. In the light of what I saw while crossing Europe the list of what men once designated as " necessities " will have to be revised, and the list of unattainable " luxuries " lengthened, to conform to the " iron law " of slump economies. Agricultural machinery is no longer a necessity. At all events agricultural machinery cannot be sold. And nor can glass. It is a bad look-out for Auvelais, for the little village, situated on the scene of the battle of the Sambre, lives on glass. And in the past twelve months the purchasing power of that one little Belgian community has been reduced by at least £1000 a week by the international trade crisis which has overwhelmed them. Glass provided Auvelais with its bread and butter. To-day it can provide little more than bread.

CHAPTER XX

HOLLAND—EUROPE'S "SILENT STATE"

"THE Netherlands?" said a Belgian industrialist of whom I had asked a question concerning how Holland was faring, "nobody knows very much about the Netherlands. It's the land of comfortable and silent people. But the Dutch must have been hit like everyone else."

So to Holland I went to discover how Europe's "silent State" is getting on amid the universal crisis.

It was a matter of hours only to discover that the word "silent" is a misnomer when applied to Holland to-day. Although the rest of Europe may not know very much about that kingdom—almost the smallest of all European states—that is only because the peoples of Europe have their own troubles to attend to. Holland is talking—loud and long—about its misfortunes. The Dutch have no doubt about the effects of the crisis upon their country. How could they have when unemployment has increased from 35,000 in March 1930, to 277,000 in March 1932; when all exports are down by 50 per cent during the same period, and exports to Britain have declined from £13,738,000 for the first six months of 1930, to £8,548,000 for the same period of 1932. When, moreover, the Dutch people have been told by a special commission appointed by the Netherlands Government to recommend measures for economising, that over £8,000,000 must be knocked off the Budget—and at once!

Now £8,000,000 is, in Netherlands currency, 100,000,000 gulden. And that represents a "cut" of about 16 per cent in the national Budget. To secure such a sweeping reduction will mean economising on education, the armed services, civil service and municipal wages, unemployment benefits, public works (including the completion of the Zuyder Zee reclamation scheme) and nearly every other department of the national life. Can it be wondered that, faced with this evidence that the crisis is at their doors, the Dutch press became really vociferous for once? Not even the failing of

formerly safe investments in sugar, rubber, coffee, tin and tobacco enterprises in their overseas Enpire, notably in Java, or the virtual killing of the Amsterdam diamond trade owing to the reduced purchasing power of American millionaires, rattled the Dutch public as did the publication of the Welter Commission report showing the sacrifices necessary to place the national finances upon a sound footing.

"We are beggared!" one former Minister is reported to have exclaimed after considering the effects of the international trade crisis upon little Holland. Having learnt something of the position of other lands before reaching Rotterdam, I would rather say that the country is not as comfortable as it was.

For beggary is a relative state, and what may appear to be poverty to the thrifty careful Dutch people would seem something like the "good old days" to a German or Belgian worker.

For years the Netherlands has been a very comfortable country in which to live.

Out of a population of 7,900,000 persons, the last census showed that 1,000,000 are engaged in industry, 600,000 in agriculture, 270,000 in commerce, and 260,000 in transport. Hitherto the products of the Dutch factories, shipyards and farms have found their way to three main markets—Britain, Germany, and the Kingdom of the Netherlands outside Europe. For not a little of the prosperity of that land is due to the colonial empire, especially the rich Spice Islands, the 53 million inhabitants of which form a valuable market for Dutch industrial products.

With flourishing factories, a growing trade in farm and vegetable produce with Britain, and busy shipyards, the hard-working inhabitants of the Netherlands grew rapidly in wealth and contentment. Here, it seemed, was a nation which had solved all the major problems of existence; a nation without any serious political or economic worries to disturb the even tenor of daily life.

So indeed it seemed to me when I walked through the well-kept streets of Rotterdam one Sunday afternoon, and

visited Utrecht shortly after. For in neither of these cities was it possible to detect any decline in prosperity on the surface. Extremes of wealth and poverty have always been absent from the Dutch scene. In normal times one might motor for hundreds of miles through the agricultural districts without seeing either a shabby peasant or a high-powered car. No discernible change has taken place to-day. The neat well-kept little houses are just as neat as in former years. The same number of bicycles are in evidence to remind the visitor that Holland is the flattest country on earth. The same modest restaurants and cinemas are patronised by the same unostentatious people.

The explanation of that paradox is to be found in the fact that the average Dutch family always lived a little below its income. That wasn't difficult, for if the cost of living were high, so were wages. And a stream of money flowed into Dutch pockets from investments in the overseas territories and in foreign lands. Now that wages are coming down and investments thought to be "gilt edged" are assuming a very speculative guise, it is the margin that has disappeared. In many homes savings are melting slowly. But rarely has there been, up to date, any positive decline in the standard of comfort.

The phases which denote the intensity of industrial depression in Europe are three. First, falling exports and rising unemployment. Secondly, demands for wage reductions, and economy in the public services. Finally, realisation that there is no money left for anything but absolute essentials, and that every item of expenditure, public, private and social, must be pared to the bone.

The Netherlands reached the first stage in December 1930, when unemployment shot up from 54,000 to 81,000, representing 15 per cent of all registered workers without jobs. The second stage has been reached this year, when it was realised by the government that the crisis could only be surmounted by a reduction in the cost of production and all-round "cuts" in wages. The third stage is just round the

corner, but Holland has not reached it yet. At present, despite the stern recommendations of the Welter Commission, the cost of relieving distress has not swamped the resources of the country, private building of new homes rented at 20/– a week is still proceeding briskly, and private budgets, though they have suffered, have not reached the stage of attrition when "belt-tightening" becomes a necessity.

That is in the cities. Rural Holland is not so well off by any means, though here again one has to dip beneath the surface to discover that fact.

"Conditions in all branches of agriculture and horticulture have deteriorated to such an extent that a general disaster is feared for the 600,000 persons directly dependent on them," states the latest report on Economic Conditions in the Netherlands issued by the Department of Overseas Trade,[1] and having talked with agriculturists in many parts of Holland I can confirm that statement. Agricultural Holland, whether it be dairy-farmers, market-gardening, flower and bulb growing or poultry-keeping, has thrived on its export trade. And to-day that export trade is as near dead as makes no difference. One large wholesaler assured me that no one in Holland had made one penny profit on any vegetables, flowers or bulbs exported to Britain since this country adopted tariffs. The choice was between selling at prices which were below the actual cost of production or not selling at all. And the Dutch producer in the absence of alternative markets chose the lesser evil. But unless there is a rapid improvement in conditions he cannot go on being so philantrophic.

What the slump has meant to the farmers is shown by the fact that the average value of farmland has fallen in one year by 40 per cent! And this in a little nation with a population of 233 persons to the square kilometre, the highest population figure in all Europe save only Belgium. It took a slump, and Britain's tariff walls, to cure Holland of land hunger. Those two factors have, since 1930, reduced the

[1] H.M. Stationery Office, 1932, 3/6.

value of Holland's annual crops of horticultural produce, flowers and bulbs by at least 50 per cent. In the country districts of Holland to-day the knowing ones will tell you to " grow lettuces and peas or go bankrupt "—a reference to the fact that those are the only two crops to show any profit in 1932.

The quota system applied by the Dutch Government to food imports from other countries has afforded some protection for the smallholder at the expense of Belgium and Denmark. But any decline in the standard of living will nullify this advantage.

If the plight of agricultural Holland, representing nearly half the working population, and indirectly affecting more than half, is more desperate than the cities, industrial Holland has problems of its own which keep it from brooding too long about the woes of others.

In considering the effects of the depression upon industry, the factories may conveniently be divided into two groups—those manufacturing mainly for the internal market or for the Dutch colonial possessions, and those producing mainly for export. The former, which include the margarine, soap, chocolate, biscuit, cycles and leather industries, have suffered less than the second group.

Shipbuilding, and ship repairing, one of the most important national industries, has been especially severely hit by the prevailing conditions. In the two years ending October 1, 1931, the number of workers employed in the Dutch yards fell from 37,209 to 17,238. Since that date a further decline has taken place. The tonnage of ships under construction has fallen from 187,000 at the end of 1930 to 108,000 a year later, while the tonnage building on June 30, 1932, has sunk to 49,000—a record low level. Fully 50 per cent of all shipyard workers were unemployed in August 1932.

Talking with Dr. Van der Valk of the *Instituut Voor Economische Geschriften*, at Rotterdam, I learnt more concerning the ravages of the slump upon Dutch industry.

" The crisis reached us in 1931," said Dr. Van der Valk,

"and its effects are shown only too clearly in our unemployment statistics covering registered members of the unemployment funds subsidised by the government. In the metal industries, for instance, there has been a decline of nearly 40 per cent in the number of workers employed, and the number of workless rose from 1233 in June 1929, to 28,369 on June 25, 1932—the highest figure for any industry in the country.

"In the textile industries, unemployment rose during the same period from 185 to 7645; in transportation and navigation from 578 to 13,028; and in miscellaneous factory industry from 266 to 13,475.

"In the textile industry production is down by 25 per cent. On the other hand the output of our coal mines has actually increased from 11,581,000 tons in 1929 to 12,901,000 tons in 1931. At the end of June 1932, only 419 miners were unemployed, but over 14,000 were working short time.

"Our tables of imports and exports tell the same tale of declining prosperity. Comparing the first six months of 1929 with the same period of 1932, imports are down by 50 per cent in value and exports by 60 per cent. This decline has been especially rapid during the last six months, exports for the first half of 1932 amounting in value to only 418,054,000 florins, compared with 1,311,814,000 florins for the whole of 1931.

"This dramatic decline in our overseas trade is due to the growth of tariffs. The effects of the new British protective duties were severely felt in the Netherlands, especially by the dairying and horticultural industries. Our butter exports to Germany have also been considerably reduced by the German import restrictions."

One might continue through the whole range of Dutch economic life without materially altering the picture presented by these facts. The export trades have been hard hit in the Netherlands, as everywhere else, but with the exception of shipbuilding, not as severely as the same industries in other countries. The industries manufacturing for home consumption have withstood the slump without

difficulty and some of them, such as flour and the tobacco industry, have increased the number of hands employed.

One of the largest exporting firms, manufacturing electric bulbs, has reduced its staff by 50 per cent—from 20,000 to 10,000—in the past two years, showing that where the necessity to compete with world conditions exists, the Netherlands have discovered no sovereign remedy for existing conditions.

Indeed, if any measures could have mitigated the onslaught of the slump upon the national activities of the Dutch people, they would have been applied first to the ravaged diamond industry at Amsterdam.

For generations Amsterdam has been justly proud of its title as " the capital of the diamond trade ". That trade has meant wealth and work for many. And with the passing years, the Dutch diamond dealers have acquired a pre-eminence of both skill and goodwill which it seemed nothing could shake.

The slump has shaken the unshakable industry. Not only shaken, but wrecked it. Where ten men were employed in the industry in 1914, only one is employed to-day. In June 1929 there were 969 wholly unemployed and 662 partially unemployed in the industry. On the same date in 1932, the number of totally unemployed diamond workers had grown to 4593 and the partially employed were 119. Which means that no less than 80 per cent of all the skilled diamond workers are to-day jobless. Nothing in this volume illustrates more forcibly the terrible effects of the crisis upon the luxury industries in all countries.

The cost of maintaining that national army of 277,000 workless—an unprecedented figure for Holland—is divided between the state and voluntary organisations. The unemployed man receives relief for a varying period computed according to the length of time during which he has been paying contributions to the unemployment insurance fund. When that period is exhausted, the payments cease until he has been once more in employment for at least five months.

Probably half the unemployed in Holland have exhausted their benefits (no precise figure is available), and are now dependent for support upon the newly-formed Crisis Committee, and upon voluntary charities. Such a system might easily be overwhelmed if the crisis deepens, but the Dutch do not believe in inculcating the "dole habit", and one of the proposals now being debated for straightening and strengthening the national finances is a cut of 15 per cent in the unemployment benefits.

Those still working have been faced with demands for wage cuts, which have in many cases been the subject of bitter strikes—another symptom of the fact that the inhabitants of "comfortable" Holland are not used to any backward step in their standard of living. Yet in Holland, more than any other country which I visited, wage costs are the main item perpetuating a high cost of living. Between March 1930 and December 1931 the cost of living figure fell seven points, at the latter date being 61 per cent of the 1921 figure.

Somewhere around the beginning of 1932, the argument that only by drastic reductions of labour costs can the Netherlands surmount the crisis and place her export trades upon a competitive basis, was accepted and steps taken to put it into operation.

The earnings of municipal employees at Rotterdam, Amsterdam, and The Hague, and the salaries of government servants have been reduced by 5 per cent, as have the wages of railway servants and miners employed in government-owned pits.

A proposal to reduce wages in the textile industry by 10 per cent was only enforced after a prolonged strike. In the woollen section of the industry, wage-rates were cut by 5 per cent.

In other "unsheltered" industries reductions have been heavier, varying from 5 to 20 per cent. And, unless some miracle happens to raise world prices, the downward movement will not end there. Employers with whom I talked at Rotterdam were satisfied that a reduction of at least a further

10 per cent would have to be made in both "sheltered" and exporting industries if Holland is to be in a position to participate in any improvement in world trade.

Certainly the latest figures issued by the Netherlands Government make dismal reading. If to the vanished profits represented by declining exports is added the loss of "invisible" exports—shipping and investment revenue—which occupies much the same place in the Netherlands annual revenue as do the same items in the British balance of trade, the fall in the national income cannot be less than 40 per cent and may very well be more. In fact, were the extent of the decline known it would, I believe, stagger those Dutch trade unionists and the peaceful farms by the Zuyder Zee.

I mentioned as much to an English-speaking Dutchman whom I met at Rotterdam.

"Things will right themselves," he said unmoved. "After all we are not Germany or the United States."

Holland owes much to that imperturbable spirit and to the comforting fact that the gold reserves in the Netherlands Bank have almost doubled in the last twelve months. The newspapers may shout slogans about the crisis. Little groups may gather at the cafés to discuss the latest economy idea. But when it comes to admitting that anything really serious could happen to their country, the Dutch are as imperturbable as the English. They simply refuse to admit that the privation which Germany is enduring, for instance, could ever exist in Holland. And assuming that commodity prices obligingly rise, they are right. For Holland makes money out of rubber and coffee and tobacco as well as ships and textiles. And Holland carries other peoples' goods as well as her own in the ships built in her yards. Even more important, she is not over-industrialised. Her factories are mostly small units. The largest group of industries in the country—the iron and steel industry—employs only 82,000 workers, or about the number employed by the Krupp steelworks at Essen in normal times.

Whether or not the nerves of the Dutch people are as strong as their faith in a speedy return to prosperity, they have not as yet been severely tested. Judging by the homes I "sampled" at Rotterdam and elsewhere, judging also by the recreations and habits of her people, real privation is still a long way off for the majority of the inhabitants of Holland.

In the comfortable three-roomed villa at Rotterdam occupied by an engineering worker, his wife and two children, I was shown a household budget which the wife had kept during the twelve months ending in June 1932. During that period her husband had earned 1902 florins, or about £160 in English currency at the normal rate of exchange. This had been expended as follows:

Rent . .	£40
Food . .	£83
Clothing and boots	£15
Amusements	£4 10s.

Those four items had accounted for £142 10s., leaving a balance of £17 10s. for such miscellaneous items as electric light, gas, papers, tobacco, travel and holidays. Travel is an important item in many budgets, as the number of Dutch visitors to Switzerland, Germany, and Belgium testify. And the number of homes possessing wireless sets provides a further indication that the standard of living, up to the middle of 1932, was as high, if not slightly higher, than that of Great Britain.

Now that standard is declining. And the end is not yet. Holland is both puzzled and anxious. Yet, compared with those other countries through which I had travelled, Holland is still comfortable. I hope those good folks of Rotterdam and the farmlands who echoed the cry of the ex-Minister, "We are beggared", will forgive me for saying so. In the race to national bankruptcy three-quarters of Europe is ahead of Holland. For the Netherlands has reserves of wealth which will carry them safely through more "rainy days" than there are likely to be in this slump.

CHAPTER XXI

THE PLIGHT OF THE PEASANTS

WHAT of that other Europe which stretches eastward from the Danube and Vistula to the borders of Asia? A Europe greater in population and more important to manufacturers than the industrial West. The Europe of the peasant masses, farmers, smallholders and labourers, who form more than 60 per cent of the total population of the Continent.

Although I did not, in the course of my journey, revisit Poland or Soviet Russia, nor enter Hungary, Roumania, or the Balkan countries, one cannot cross Europe without hearing something concerning the impoverishment which has swept over the agricultural lands.

The world depression has reduced those peasant millions to something approaching beggary. When wheat prices fell to 40 per cent of the 1929 figure, the greatest blow of all was struck at industrial Europe. For the factories of Europe, in the last analysis, depend upon the prosperity of the peasant hosts. That is why manufacturers are to-day watching the slow rise in the prices of those commodities which agricultural Europe produces as closely as they watch their own export figures. The events of the last two years have made manifest a great truth—the truth that as long as sixty persons out of every hundred in all Europe are too poor to buy there can be no recovery for the industrial West.

It was the catastrophic fall in the price of everything that the farmers grow, as much as any other single factor, that slowed down the wheels of European industry. That fall in commodity prices has cost the Italian land-workers billions of lire. It has meant millions of pounds less in the pockets of the peasants of Poland, Hungary, Jugo-Slavia, Roumania, and other lands. Even in Germany, where agriculture exists to supply the internal market with the food it needs, it is estimated that the income of the farmers has declined by at least 30 per cent.

The fall in prices, which brought the value of wheat and

other basic commodities down to record low levels, has proved a doubtful blessing. For while the cost of living fell, the full extent of that decline in wholesale prices was in no case reflected in the retail prices. On the other hand, the virtual removal of the peasant communities from the list of customers completely upset the natural "balance of trade" whereby the cities bought the produce of the country-side and the countryman (or his councils and governments) helped to keep the factories employed.

"It is not difficult to follow the sequence of the decline in world trade in the early stages of the depression," states the *World Economic Survey* recently issued by the League of Nations. "In 1930, the heavy fall in the prices of raw materials struck the agricultural countries, particularly those outside Europe, with special severity. Certain of them were able to increase the *quantum* of their exports, but even so the fall in prices diminished the total value. Imports to certain European countries which were able to increase the *quantum* of their exports (Denmark, Lithuania, Russia, Jugo-Slavia, and the Irish Free State) were relatively well sustained, and, since trade between the European countries themselves was not so badly affected in 1930, the total trade of European countries did not diminish greatly till 1931. In the later stages of the depression, however, the reduced purchasing power of all the agricultural countries in all parts of the world caused a fall in the exports of the industrial countries so that the decline in trade became general."

The withdrawal of 150 millions of Russian peasants from the world market was the first blow. The difficulties of trade with Soviet Russia (to-day it would puzzle any Russian peasant to find any single foreign article in his local co-operative store, however great the need for it) was followed, with the coming of the slump, by a more widespread failure of peasant consuming power embracing all Europe, from Denmark to Bulgaria.

A Ford car or a Krupp harvesting machine would be as useful to the Hungarian or Roumanian farmer as those things

are to the American or German food-producers, but both are as unattainable as diamond tiaras for peasant girls.

How could it be otherwise when the price of wheat fell in Hungary from 6/7 per bushel of 60 lbs. in January 1929 to 2/6 per bushel at the beginning of 1932, in Poland from 5/10 to 3/4 between the same dates, in Italy from 8/- to 6/3, and in Great Britain from 5/1 to 2/2½d. ? Or when the value of the Hungarian maize harvest declined by 40 per cent between 1928 and 1932, and the selling price of Polish oats by just over 50 per cent in the same four years ?[1] And the same is true of everything that the peasant produces, whether it be cereals, cattle, wine, fruit, poultry, or dairy produce—in 1931 all were selling at " slump " price-levels which were, in many cases, below the 1914 figures.

How could it be otherwise, again, when in Roumania this summer the harvest was gathered by labourers who, in return for fourteen hours' labour, received a daily wage equivalent to 3d. in English money, and had to supply their own food ? And this figure, be it noted, represented harvest wages, upon which the farm workers of that distressed country normally rely for savings to maintain their families through the winter. Incidentally, I may add that that wage is, according to enquiries which I have made, the lowest wage paid in 1932 to any European worker.

Small wonder that in rural Roumania, a system of direct barter has had to be introduced in order to secure the barest necessities of life. In July 1932, the ruling rate of exchange for a box of matches was six eggs, while it needed twelve eggs to secure one pennyworth of salt, a government-controlled commodity. During the same month the value of a chicken was from 12 to 20 lei (from 4d. to 6d.), whereas the average amount paid by the peasants in taxation amounted to 1000 lei, or about 27/- at the normal rate of exchange.

[1] The world price of Hungarian maize, calculated in pengo per 100 kilogrammes, was 28·79 pengo in 1928, and 18·50 in July 1932. Between the same dates the price of Polish oats, calculated in gold zlotys per 100 kilogrammes, fell from 41·44 zlotys to 19·75, and barley (for fodder) from 43.05 zlotys to 25 zlotys (May, 1932).

The plight of the peasant population in Poland is little better, especially in the districts inhabited by Ukrainians. Writing in September 1931, after a visit to Eastern Galicia, made in company with the Rev. James Barr, Mr. Rhys J. Davies, Member of Parliament for the Westhoughton Division of Lancashire, stated:

"The landless man is almost a beggar, and when he finds work his wages income is pitiful in the extreme. We found some men endeavouring to maintain families of wife and three or four children, working ten hours per day for only one zloty (5½d.). This may be an extreme case, though we were informed that in the heart of the country-side two zlotys per day may be regarded as the maximum wage. The obvious result is that the food they eat can seldom include meat, coffee, or even eggs and butter, which are plentiful, but which they must sell if they are to buy anything at all to eat or wear. In one village we visited some of the children had only one piece of clothing to cover their nakedness, whilst a large number of the population went barefooted.

"The practice prevails of granting the labourer the thirteenth bushel of corn as payment for his services. Although the purchasing power of money must always be borne in mind, we do not put the case too strongly when we say that we never thought it would be our lot to find white people in any part of the world compelled to exist under such conditions of poverty.

"The small peasant proprietor is, of course, better off than the labourer, but the following facts, in relation to his standard of life, will speak for themselves. He gets about sixpence for twenty eggs, eightpence per pound for butter, one penny-farthing for a quart of milk, two shillings and sixpence for 200 lbs. of potatoes, and ten shillings for 200 lbs. of wheat. A good cow is sold for four guineas, and an excellent horse can be bought for the same price."

In 1930 Hungary exported wheat to the value of 73,000,000 pengo. During 1931 she slightly increased her wheat

exports over the preceding year, but the value of the higher exports fell to 41,000,000 pengo. Those two sentences reveal the extent of the hardships which have overtaken the agricultural lands. Nor, in the case of Hungary, does wheat complete the story. That country now exports more livestock than grain, and in 1930 the value of the exports of poultry surpassed that of wheat. For Hungary there can be no improvement until the world prices of farm products rise.[1]

The economic distress among the landowners and peasants of Hungary, resulting from the catastrophic fall in the value of the main exports of that country, was responsible for the emergence of an Independent Farmers' Party in that country. Within less than one year, this party had trebled the number of its representatives in the Hungarian Parliament, and in August 1932, with 25 members, it had become the second largest party—which is as much as any party of discontent can hope to achieve in a land where the " open ballot " still survives in the country-side. This political development was merely the symptom of a disease which afflicts the farm-lands of Hungary, further manifestations of which have been the agricultural moratorium granted by the Government, and the increasing number of peasants who refuse to pay any taxes or interest upon their debts, on the grounds of extreme poverty.

In Jugo-Slavia, Bulgaria, and throughout Eastern Europe the same conditions prevail. Nowhere are the peasants and farmers able to assist in the task of getting the wheels of industry turning again until the value of the commodities they produce return to the 1928 figure. This is clearly shown by the figures of imports and exports for the agricultural countries laid before the Stresa Conference called to discuss the financial and economic reconstruction of Central and

[1] In the case of Hungary, the value of the total merchandise exports in the first eight months of 1932, was less than 200 million pengo; but the annual foreign debt service is about 300 million pengo, which means that in the first eight months the total exports would just have sufficed to pay the foreign debt service if it had been possible to shut out all merchandise imports. *Economist*, October 1, 1932.

ROUMANIAN VICTIMS OF THE SLUMP

Hungry workless and peasants waiting outside the Palace at Bucharest for the free meal provided by the King.

Eastern Europe. These revealed that, compared with the first quarter of 1929, the imports of Bulgaria for the same period of 1932 were down by 50 per cent, and her exports by 39 per cent, Hungary by 67 and 62 per cent respectively, and Czechoslovakia by 59 per cent for imports and 60 per cent for exports. Yet prosperity must return for the peasant before it can dawn for the industrial workers. Estimates of the total number of peasants in Europe, outside the Union of Socialist Soviet Republics, vary from 125 to 175 millions. Taking a middle figure, and assuming that there are 150 millions of peasants in Europe, a rise in commodity prices sufficient to increase their diminished incomes by only 2/6 a week per person would mean an increase of consuming power of nearly £20,000,000 a week !

That farmers and governments have made a great effort to offset declining prices by maintaining, or even increasing, production is clearly shown by the fact that the world production of cereals and other food crops rose by 3 per cent between 1925 and 1931. On the other hand, the stock of unsold wheat in August 1931, was more than double the 1925 figure, and in the case of coffee has trebled during the six years.[1]

The severe decline in prices, and contraction in consumption (but not in production) had uniformly bad effects upon the position of industrial Europe because, whatever may have been true fifty years ago, to-day the industrial equipment of our world has expanded to a point which causes grave doubts to be expressed whether, even in boom times, sufficient trade would be available to keep all the factories, mills, and shipyards moderately busy. Eliminate the peasant as a customer, and at one stroke paralysis, or something approaching it, is certain. On the last analysis, the prosperity of our industrial civilisation depends, as I have said, upon those millions, far from railway lines and tourist centres, whose

[1] The world stock of wheat (in millions of quintals) was 114 in August 1925, and 246 in August 1931. Stocks of coffee were 5 million quintals in 1925 and 17 million quintals in 1931. *World Economic Survey*, p. 93.

bent backs scratch the soil and produce the fruits of the earth.

It is now generally agreed that a prosperous peasantry means a prosperous Europe, and an impoverished countryside means unemployment, and distress, in the industrial cities.

Travelling from the Moravian plains to Vienna, I fell asleep. And in my sleep I dreamt that those Slovak peasants, and those other peasants beyond the horizons of my journey, were provided, for one month, with the incomes enjoyed by the favoured farmers of Switzerland. I saw those millions trooping to the shops and co-operative stores of their towns intent upon buying clothing, boots, machinery, furniture, textiles and household equipment for their modest homes. Then I was transported to an industrial city somewhere in the west. It seemed a cosmopolitan city, for among the workers lounging at the street corners, idle, I heard scraps of conversation in English, German, Czech, Belgian, French, and other languages.

There was some excitement in this city. Newsboys were dashing along the streets, selling papers. I bought one, and there I read that the wages paid to the Roumanian peasants had been increased by 1/– a day for one month, and similar increases had taken place in Hungary, Poland, Czechoslovakia, Jugo-Slavia and Bulgaria. And all those peasants were demanding goods—the manufactured goods they had gone without for so long, and which they could not find on the shelves of their local stores.

There followed, in that paper, an order in council issued by whoever governed the city, announcing that owing to the huge new demand from Eastern Europe, regulations regarding overtime would be waived until further notice, and, further, that all unemployed workers were to report at once to the factory where last they had been employed.

A day passed in my dream. And then I walked along that same street again. It was empty. But from the factories lining the road, which had been empty and padlocked, came

the hum of machinery. And long goods trains were standing at the loading bays, ready to rush the first consignments of goods to the clamouring peoples who, at last, had the money with which to satisfy their wants.

Only a dream. But a dream based upon what might happen, on a modified scale, if the desire of the British Government to raise commodity prices to the 1928 level can be translated into reality. A dream which the forthcoming World Economic Conference might bear in mind, for with the final settlement of the problem of political debts, this problem of commodity prices will be the biggest single conundrum facing the statesmen of the world.

It was a decline in consuming power, first affecting agricultural consuming power, which precipitated the world depression, and it will be an increase in consuming power which will mark its passing. Not only the consuming power expressed in terms of food and clothing, though this is important, but consuming power expressed in balanced budgets and expanding revenues, enabling governments to proceed with needed developments, railways to renew equipment, municipal authorities to resume building and electrification work, the countless agricultural villages of Europe to re-enter the circle of the world customers, and peoples far from Europe—in South America, Asia and Africa —to recover their prosperity.

Is there any sign that a rise in consuming power has come? The available evidence on that question is not to be found in the working-class homes of Europe, with their tale of diminished incomes and further wage reductions pending, but in the indices of share prices, and of the gold prices of primary products. And these figures, or such as were available upon my return to London, do offer some hope that the expressions of optimism made during my journey have some basis in fact.

Many difficulties remain to be surmounted, but at the moment of writing commodity prices are moving steadily upward. The quotations for wheat, the acid test for agrarian

Europe, show a rise of 50 per cent over the price obtained in June 1931. The indices of both share prices and the gold price of commodities both touched their lowest level at the end of May 1932. The American wholesale price index began to rise a month later, but the French, German, and Italian figures were still falling in July 1932. Only Poland, alone among the countries of Europe, showed any appreciable rise in wholesale prices for that month.

On the basis of the upward turn in Britain and the United States, and the slower rate of decline elsewhere, some economists have been predicting that the slump is ending, or at least that the world has now entered the phase which leads to recovery. Statistics, as is well known, can prove many things, and sometimes all things, but one does not need to be an economist to realise that it will take more than a rise of 50 per cent in foreign wheat (August 1932, compared with September 1931), 70 per cent in maize, 15 per cent in Argentine beef, or 6 per cent in Danish bacon, to put the world to rights. What President Hoover has called " the greatest economic emergency in all history " is not going to be cured by a rise of even 50 per cent from record slump levels. I was told during my journey that in 1931 nearly three sacks of wheat were needed, in the case of some countries, to pay the annual interest on debts which was satisfied by one sack of wheat three years before, and that there, in a sentence, is one reason why in Eastern Europe, bankruptcy has become a profession among individuals and nations alike. I was told, again, that some of the agricultural nations, in a desperate effort to maintain the necessary supplies of foreign credits with which to honour their obligations to foreign lenders, had almost doubled the volume of their agricultural exports during the slump. Farmers and farm workers had worked harder for less money to achieve that result. And at the end of it all only to discover that the value of the doubled exports was less than the value of half the quantity three years earlier.

One of the many problems which must be surmounted

before this state of affairs is finally remedied is the raising of world prices of primary commodities without such an expansion of production as would inevitably bring prices crashing down again to slump levels. For the textile industry of Europe is not the only department of production in which equipment has outrun demand. Wheat, rubber, tin and other products are susceptible to even more elastic conditions in the absence of any world-plan for rationalised production. And the fact that in agricultural countries the populations are becoming accustomed to a lower level of life adds to the difficulty.

The stabilisation of purchasing power in Eastern Europe at the present "crisis level" would mean the perpetuation of a lower level in the industrial nations as well. Prosperous conditions for either can only come through the prosperity of both.

Over industrial Europe hovers a gaunt, weather-beaten figure representing the peasant millions whom nobody knows—the figure of a man asking mutely to have restored to him the purchasing power which has, unaccountably to minds unversed in the intricacies of finance, been taken away since the "good old days" of 1928.

CHAPTER XXII

WHAT OF THE FUTURE?

HOW will the slump end? And when?

According to the industrialists and economists with whom I talked during my journey, the three factors responsible for the length and severity of the depressions are the unequal distribution of the world's gold supplies due to political payments, the simultaneous cessation of both buying and lending by the great creditor powers, and the fall in commodity prices. The other factors restricting international trade to-day followed in their wake as one nation after another sought to escape the effects of those three developments.

The same industrialists expressed their belief that the Lausanne Agreement would prove the turning point. For Lausanne, by promising the beginning of the end of political debts, had removed one, and perhaps the greatest, obstacle to confidence and normal trading conditions. Hence the opinion, which I heard over and over again, that the worst was past, and that 1933 would see a real improvement in industrial activity. The trade statistics of Europe do not support that view—yet. But the first essential to recovery, which was political agreement concerning a remedy, is nearer than it has been at any time since 1928. Perhaps, as the German industrialist said to me, the statesmen of Europe have decided that "if they don't hang together, some of them will hang separately."

Further, commodity prices have been rising steadily,[1] and increasing buoyancy is reported from the stock markets—so often the precursor of revival in the past.

On the other hand, the statistics covering employment, industrial production and world trade cannot be quoted in support of any comfortable view that a short cut to recovery will be found.

Britain has weathered the depression as well as any nation. "You English cannot guess what a comfort Britain is to us

[1] This was written in September 1932.

in these times," said an Austrian statesman to me. "When nations are defaulting all round us, and the load of taxation increases until life is almost unbearable, we look across Europe to Britain, so solid, so imperturbable, in the midst of the storm. Or we contemplate those amazing photographs which showed British taxpayers queueing up to pay the heaviest instalment of income tax ever demanded in your country. *And it helps us to hope for a brighter future.*"

The prestige of this country has never stood higher on the Continent than it does at this moment. The foreigner with memories of inflation, remembers how, after our departure from the Gold Standard, sterling fell to two-thirds of its par value without any flight from the pound. And faced with that miracle of imperturbability, he marvels at the strength and patriotism of this nation.

Yet statistics show that even Britain, while justified in believing that the worst is past, dare not relax her efforts. Unemployment was still rising in August 1932, while Britain's exports for that month were the lowest recorded for any month since 1918.

Or if we turn to the figures for international trade for the first seven months of 1932, it is only to find there the same evidence of the continuing paralysis of world commerce.

French exports fell from 1806 million francs in January 1932, to 1428 million francs in July. German exports from 530 million Reichmarks to 432 million. Exports from the United States dropped from 147 million dollars to 107 million—a fall of nearly one-third at the end of two years of declining trade. Compared with these nations, Britain's figures for the same period make quite a respectable showing, our exports amounting to £31,432,000 in January 1932, and £29,294,000 in July. Those figures only underline the fact, however, that neither tariffs, nor rationalisation nor wage reductions nor trade agreements have yet brought any upward swing in trade.

The world's trade loaf is still diminishing in quantity, and no economic juggling with tariffs can remedy the deplorable inadequacy of the slices. Only a larger loaf, with more for everyone, can provide the remedy for which the world is seeking.

What are the prospects of an expansion in the total volume of world trade in the near future? My journey across Europe provided no answer to that all-important question. I saw factories which in technical equipment and organisation are equal to any that have ever existed in the world. There is an abundance of skilled labour available. Every year scientists and inventors are improving the methods, and increasing the speed, of production. Already they have achievements to their credit which have banished for ever the dread of Victorian times, that consumption would, with expanding population, outstrip production. The industrial world of to-day can produce a sufficiency of goods for everyone. *The trade crisis is a crisis of distribution.* " William Jennings Bryan was right," said one German employer, " humanity is being crucified on a cross of gold after all."

The cessation of foreign lending, the fall of commodity prices, reparations and political debts, the erratic working of the gold standard, tariffs, quotas, exchange restrictions, high wage costs, over-production of capital goods in the past, loss of confidence in the future, and the " Balkanisation " of Europe by the Treaty of Versailles and other settlements following the war—all these factors were pointed out to me at different times as explanations of the world plunge into economic chaos.

All have been well canvassed in Britain except the last. It is not generally realised, perhaps, that in the opinion of many prominent Europeans, the " Balkanisation " of Central Europe which followed 1918 was an important contributory cause of the recurrent crises which have afflicted the finances and trade of that region ever since. To the splitting of the ramshackle Austro-Hungarian Empire into small units is due

the forest of tariff walls and trade barriers which exist there to-day, and, incidentally, the existence of five armies and five bureaucracies where formerly one sufficed, with a corresponding increase in the sum total of taxation necessary to maintain the new frontiers and accord with the prestige of the enriched or newly created nations.

Nor were the new frontiers always wisely drawn. Astute statesmen, primed with local information which transcended whatever knowledge was possessed by those who advised the statesmen with the final word, were able to draw the new frontiers upon the map in such a way that a few miles to the north or south altered profoundly the whole trade balance of some other nation. Not a little of the bitterness expressed concerning the treaties to-day is due to this notorious fact.

One other factor, concerned not with the future but the present, has played a strange Jekyll and Hyde rôle in the great slump. For two years past Soviet Russia has been at one and the same time Europe's best customer (next to Great Britain) and Europe's nightmare.

Right across Europe I found men and women at work on orders for the Five Year Plan, who, but for those orders, would have been workless. And right across Europe I found a keen interest being evinced in everything connected with that country and the ambitious plan upon which it has embarked.

I have referred to the strength of Communism in Germany. To a greater or lesser degree, that same problem of the presence of a revolutionary minority is to be found in nearly every country in Europe. While I was in Belgium, a coal strike was proceeding in the Borinage which the Belgian Government proclaimed to have been inspired by the "Reds" and several leading Communists were arrested. A day or two before my arrival at Zurich Communist disturbances had occurred in that fortunate city. Communist trade unions exist in both Czechoslovakia and Holland. Only at Zlin, alone of all the industrial cities I visited, did no whisper of the influence of Moscow reach me.

True, the strength of the Communist forces is declining. Contrary to expectation, the depression with its attendant and unavoidable hardships has not led to any increase but rather the reverse. The interest in Moscow and its ideas is occasioned not by fear, but by the presence of malcontents and theorists in every country, and by an entirely laudable desire to learn anything that there is to be learnt from the social and industrial experiment now being conducted in the human laboratory which we call Soviet Russia.

There exists to-day less thoughtless abuse of "Bolshevism", outside Poland, Hungary and Roumania, than I found in Europe two years earlier. Antagonism has given place to moderation, based upon the general recognition of the fact that Russian orders are not to be despised at a time when trade generally is declining rapidly, and also upon the belief, rightly or wrongly held by many industrialists and others, that the results of the Five Year Plan up-to-date are not sufficiently impressive to present a serious challenge to those who prefer capitalistic or socialistic, rather than Communist methods of production.

In Berlin I was supplied with figures showing exports from some of the leading industrial nations to Russia during the first quarter of 1932. These figures show that Germany's trade with Russia during the quarter totalled 181 million Reichmarks, representing about 10½ per cent of her total exports. Britain's trade with Russia during the same period represented 3 per cent of her total exports, while for Italy the figure was 5 per cent.

Thus, with commodity and stock markets rising, and the spirit of confidence returning, but with exports still falling, wage "cuts" becoming more frequent, and twenty millions of workless, Europe faces what must be, however rapid he progress back to normalcy, the hardest winter for a hundred years.

Having seen something of the conditions as that winter approaches, I can only hope that those comfortable predictions of a big upward movement next spring are right.

For unless alleviation comes, the resources of the nations in money, patience, and stoic endurance are going to be put to a severe test.

Europe has managed to survive three years of declining trade by "living on its hump"—that is, by utilising the public and private savings which were the fruit of better times in the past. Governments have been living on capital —or credit where no capital existed. Private citizens have drawn upon their savings, judging that 1931 and 1932 contained enough "rainy days", in the trade sense, to justify such a course. The day will come, if trade does not recover, when neither capital, credit nor savings will be left. And when wages can be cut no more. If only for that reason, the general state of Europe in 1933 must either improve or rapidly deteriorate. The effects of the depression have been too dramatic to permit of any middle course, with trade stabilised at a point fifty per cent below the 1928 figure. And Europe knows it. Hence the less intransigent note which has lately crept into the statesmen's speeches. And the less strident tones of those who once believed in the mad dream of "economic self-sufficiency".

Perhaps the most hopeful fact concerning what many economists now agree will prove to be the last phase of the world slump is that, although it took Europe twenty years to recover completely from the effects of the depression which followed the Franco-German War, most of those competent to judge declare that, providing the present restraints upon international trade can be removed, and confidence be regained, the industrial and financial resources of our world are to-day so enormous that the slump can be "liquidated" in two or three years of good trade.

If, in the near future, it proves possible to get back to the conditions of 1928, Europe will be entitled to count itself fortunate. It should consider itself more fortunate still if, as a result of facing the disastrous state of world trade to-day, men can evolve such safeguards against a

repetition of the catastrophe that they can say, with confidence, that conditions such as I have described will never more return to devastate and impoverish the industries by which Europe lives, and upon which its future prosperity depends.

THE END